

Hawai'i Community Foundation

(A Nonprofit Organization)

Financial Statements

December 31, 2021 and 2020

Hawai'i Community Foundation
(A Nonprofit Organization)
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Independent Auditor's Report

To the Board of Governors of
Hawai'i Community Foundation

Opinion

I have audited the accompanying financial statements of Hawai'i Community Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of assets, liabilities and net assets (modified cash basis) as of December 31, 2021 and 2020, and the related statements of revenues and expenses and changes in net assets (modified cash basis) and of functional expenses (modified cash basis) for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of December 31, 2021 and 2020, and its revenues, expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Foundation and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Disclaimer of Opinion on Unaudited Information in the Notes to the Financial Statements

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information regarding community grantmaking services presented in Note 19 of the financial statements, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Matters - Supplementary Information

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The pooled income fund investments schedules on pages 31 and 32 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

James P. Hesselman, CPA, LLC

Honolulu, Hawai'i
November 9, 2022

Hawai'i Community Foundation

(A Nonprofit Organization)

Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)

December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 917,784	\$ -	\$ 917,784
Investments, at fair value			
Combined investment funds	621,691,506	22,365,135	644,056,641
Money market mutual funds	61,954,921	9,397,718	71,352,639
Mutual funds	105,600,965	1,746,268	107,347,233
Common stocks	13,697,979	-	13,697,979
U.S. government bonds	14,831,101	-	14,831,101
Corporate bonds	19,426,787	-	19,426,787
Municipal bonds	5,300,337	-	5,300,337
Privately managed investment funds	3,199,089	-	3,199,089
Program loans	-	2,200,000	2,200,000
Property held for sale	1,451,000	-	1,451,000
Total investments	<u>847,153,685</u>	<u>35,709,121</u>	<u>882,862,806</u>
Property and equipment, net	626,017	-	626,017
Other	238,233	-	238,233
Total assets	<u>\$ 848,935,719</u>	<u>\$ 35,709,121</u>	<u>\$ 884,644,840</u>
Liabilities and Net Assets			
Liabilities			
Contract funds held for			
Tobacco Fund	\$ 62,498,762	\$ -	\$ 62,498,762
Gift annuity liabilities	707,902	-	707,902
Funds held as agency endowments	8,060,625	-	8,060,625
Other	4,229	-	4,229
Total liabilities	<u>71,271,518</u>	<u>-</u>	<u>71,271,518</u>
Net assets			
Without donor restrictions	777,664,201	-	777,664,201
With donor restrictions	-	35,709,121	35,709,121
Total net assets	<u>777,664,201</u>	<u>35,709,121</u>	<u>813,373,322</u>
Total liabilities and net assets	<u>\$ 848,935,719</u>	<u>\$ 35,709,121</u>	<u>\$ 884,644,840</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation

(A Nonprofit Organization)

Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)

December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 232,714	\$ -	\$ 232,714
Investments, at fair value			
Combined investment funds	547,613,228	20,215,995	567,829,223
Money market mutual funds	62,865,102	14,233,349	77,098,451
Mutual funds	97,875,547	1,572,204	99,447,751
Common stocks	8,956,439	-	8,956,439
U.S. government bonds	13,585,199	-	13,585,199
Corporate bonds	17,274,109	-	17,274,109
Municipal bonds	5,128,235	-	5,128,235
Privately managed investment fund	2,691,797	-	2,691,797
Total investments	<u>755,989,656</u>	<u>36,021,548</u>	<u>792,011,204</u>
Property and equipment, net	223,598	-	223,598
Other	224,779	-	224,779
Total assets	<u>\$ 756,670,747</u>	<u>\$ 36,021,548</u>	<u>\$ 792,692,295</u>
Liabilities and Net Assets			
Liabilities			
Contract funds held for			
Tobacco Fund	\$ 59,920,577	\$ -	\$ 59,920,577
Gift annuity liabilities	857,841	-	857,841
Funds held as agency endowments	7,041,803	-	7,041,803
PPP loan	1,346,600	-	1,346,600
Other	21,693	-	21,693
Total liabilities	<u>69,188,514</u>	<u>-</u>	<u>69,188,514</u>
Net assets			
Without donor restrictions	687,482,233	-	687,482,233
With donor restrictions	-	36,021,548	36,021,548
Total net assets	<u>687,482,233</u>	<u>36,021,548</u>	<u>723,503,781</u>
Total liabilities and net assets	<u>\$ 756,670,747</u>	<u>\$ 36,021,548</u>	<u>\$ 792,692,295</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Revenues and Expenses and
Changes in Net Assets (Modified Cash Basis)
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions available for grant making and programs	\$ 64,909,091	\$ 8,681,293	\$ 73,590,384
Contracts and grants – CARES Act	-	1,867,702	1,867,702
Contracts and grants – Tobacco Fund	3,754,808	-	3,754,808
Contracts and grants – Other	-	1,815,943	1,815,943
Investment return expendable for grant making and operations	31,930,251	600,583	32,530,834
Income from perpetual trusts	3,041,475	722,140	3,763,615
Service and administrative fees	1,493,612	-	1,493,612
Net assets released from restrictions			
Satisfaction of program restrictions	15,127,646	(15,127,646)	-
Endowment payout policy appropriations	794,184	(794,184)	-
Other	48,062	-	48,062
Total revenues	<u>121,099,129</u>	<u>(2,234,169)</u>	<u>118,864,960</u>
Expenses			
Grants and scholarships	73,901,473	-	73,901,473
Grants – Tobacco Fund	2,832,739	-	2,832,739
Program services	7,208,280	-	7,208,280
Finance and administration	4,059,885	-	4,059,885
Charitable services and donor relations	3,556,788	-	3,556,788
Total expenses	<u>91,559,165</u>	<u>-</u>	<u>91,559,165</u>
Change in net assets from operating activities	29,539,964	(2,234,169)	27,305,795
Nonoperating activities			
Contributions designated for investment of principal	15,476,715	5,000	15,481,715
Investment return designated for reinvestment	43,809,783	1,893,793	45,703,576
PPP loan forgiveness	1,346,600	-	1,346,600
Change in value of split-interest agreements	8,906	22,949	31,855
Total nonoperating activities	<u>60,642,004</u>	<u>1,921,742</u>	<u>62,563,746</u>
Total change in net assets	90,181,968	(312,427)	89,869,541
Net assets			
January 1, 2021	<u>687,482,233</u>	<u>36,021,548</u>	<u>723,503,781</u>
December 31, 2021	<u>\$ 777,664,201</u>	<u>\$ 35,709,121</u>	<u>\$ 813,373,322</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Revenues and Expenses and
Changes in Net Assets (Modified Cash Basis)
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions available for grant making and programs	\$ 44,299,564	\$ 28,246,288	\$ 72,545,852
Contracts and grants – CARES Act	-	47,418,121	47,418,121
Contracts and grants – Tobacco Fund	3,636,260	-	3,636,260
Contracts and grants – Other	-	1,446,739	1,446,739
Investment return expendable for grant making and operations	27,756,705	434,437	28,191,142
Income from perpetual trusts	2,656,334	708,148	3,364,482
Service and administrative fees	1,416,649	-	1,416,649
Net assets released from restrictions			
Satisfaction of program restrictions	66,114,887	(66,114,887)	-
Endowment payout policy appropriations	500,316	(500,316)	-
Other	16,430	-	16,430
Total revenues	146,397,145	11,638,530	158,035,675
Expenses			
Grants and scholarships	60,882,925	-	60,882,925
Grants - CARES Act	48,503,080	-	48,503,080
Grants – Tobacco Fund	2,584,817	-	2,584,817
Program services	8,412,232	-	8,412,232
Finance and administration	3,637,850	-	3,637,850
Charitable services and donor relations	3,437,233	-	3,437,233
Total expenses	127,458,137	-	127,458,137
Change in net assets from operating activities	18,939,008	11,638,530	30,577,538
Nonoperating activities			
Contributions designated for investment of principal	9,418,238	140,950	9,559,188
Investment return designated for reinvestment	45,021,652	2,222,606	47,244,258
Change in value of split-interest agreements	16,594	(87,172)	(70,578)
Total nonoperating activities	54,456,484	2,276,384	56,732,868
Total change in net assets	73,395,492	13,914,914	87,310,406
Net assets			
January 1, 2020	614,086,741	22,106,634	636,193,375
December 31, 2020	\$ 687,482,233	\$ 36,021,548	\$ 723,503,781

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Functional Expenses (Modified Cash Basis)
Year Ended December 31, 2021

	Program Services	Finance and Administration	Charitable Services and Donor Relations	Total
Grants				
Grants and scholarships	\$ 73,901,473	\$ -	\$ -	\$ 73,901,473
Grants - Tobacco Fund	2,832,739	-	-	2,832,739
Total grants	<u>76,734,212</u>	<u>-</u>	<u>-</u>	<u>76,734,212</u>
Personnel expenses				
Salaries, wages, temporary personnel	2,192,662	2,278,567	2,045,584	6,516,813
Payroll taxes, benefits, other	661,445	652,790	571,140	1,885,375
Total personnel expenses	<u>2,854,107</u>	<u>2,931,357</u>	<u>2,616,724</u>	<u>8,402,188</u>
Consulting and professional fees	3,868,098	381,990	481,862	4,731,950
Occupancy	163,591	265,265	177,408	606,264
Conferences, meetings and events	21,698	4,082	38,086	63,866
Advertising	70,188	21,250	135,807	227,245
Information technology	22,277	239,035	-	261,312
Travel	15,283	20,287	7,551	43,121
Office expenses	35,809	35,801	19,295	90,905
Professional development and training	9,739	52,268	8,004	70,011
Printing and publication	12,066	1,682	6,604	20,352
Depreciation	13,112	17,472	8,647	39,231
Insurance	9,595	12,786	6,327	28,708
Other expenses	112,717	76,610	50,473	239,800
	<u>\$ 83,942,492</u>	<u>\$ 4,059,885</u>	<u>\$ 3,556,788</u>	<u>\$ 91,559,165</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Functional Expenses (Modified Cash Basis)
Year Ended December 31, 2020

	Program Services	Finance and Administration	Charitable Services and Donor Relations	Total
Grants				
Grants and scholarships	\$ 60,882,925	\$ -	\$ -	\$ 60,882,925
Grants - CARES Act	48,503,080	-	-	48,503,080
Grants - Tobacco Fund	2,584,817	-	-	2,584,817
Total grants	<u>111,970,822</u>	<u>-</u>	<u>-</u>	<u>111,970,822</u>
Personnel expenses				
Salaries, wages, temporary personnel	2,440,442	1,988,404	2,206,472	6,635,318
Payroll taxes, benefits, other	676,779	583,435	613,677	1,873,891
Total personnel expenses	<u>3,117,221</u>	<u>2,571,839</u>	<u>2,820,149</u>	<u>8,509,209</u>
Consulting and professional fees	4,759,337	319,746	134,603	5,213,686
Occupancy	213,967	327,509	179,385	720,861
Conferences, meetings and events	91,650	7,961	64,513	164,124
Advertising	1,875	-	141,262	143,137
Information technology	3,853	248,501	1,999	254,353
Travel	14,923	12,352	14,462	41,737
Office expenses	44,960	49,777	22,389	117,126
Professional development and training	16,646	7,805	6,634	31,085
Printing and publication	67,086	3,782	5,195	76,063
Depreciation	20,764	26,331	8,358	55,453
Insurance	8,911	13,879	4,326	27,116
Other expenses	51,039	48,368	33,958	133,365
	<u>\$ 120,383,054</u>	<u>\$ 3,637,850</u>	<u>\$ 3,437,233</u>	<u>\$ 127,458,137</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

Hawai'i Community Foundation (the "Foundation") is a statewide public community foundation. Its mission is to help people make a difference by inspiring the spirit of giving, and by investing in people and solutions to benefit every island community. The significant accounting policies followed are described below.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the basis of cash receipts and disbursements, except that investments are carried at fair value, major property items are capitalized, noncash gifts and bequests are recorded at fair value at the date received, and changes in the fair value of investments and depreciation expense are included in the Statements of Revenues and Expenses and Changes in Net Assets (modified cash basis). Accordingly, the accompanying financial statements are not intended to present financial position and changes in net assets in conformity with accounting principles generally accepted in the United States of America (i.e., "GAAP").

Some of the more significant differences between GAAP accounting and the Foundation's modified cash basis of accounting include: contribution income under GAAP is recorded when an irrevocable pledge is received rather than when the cash is received; service and administrative fees under GAAP are recognized as earned (as performance obligations are settled) rather than when cash is received; grants expense under GAAP is recorded when a binding commitment to disburse funds is communicated to the grant recipient, rather than when the cash is disbursed; a financial interest in an irrevocable trust under GAAP is recorded when an entity is named as the remainder interest beneficiary, rather than when the gift is received; and assets held in trust by others are recognized under GAAP in the Statements of Assets, Liabilities and Net Assets based on the fair value of such assets, but are not recognized under the modified cash basis of accounting until transferred to the Foundation. Additionally, the financial statements of supporting organizations over which the Foundation has control are not consolidated into the Foundation's financial statements; and a Statement of Cash Flows is not presented under the modified cash basis of accounting.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Foundation invests in or holds a variety of investment vehicles, including common stock, corporate and governmental obligations, mutual funds, and privately managed investment funds. These investments are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Foundation's investments, which could materially affect amounts reported in the financial statements.

Hawai'i Community Foundation

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Notes to Financial Statements

December 31, 2021 and 2020

Measure of Operations

In the Statements of Revenues and Expenses and Changes in Net Assets, the Foundation includes in its definition of operations all revenues and expenses except for contributions designated for investment of principal and any associated releases of restrictions thereon, investment income designated for reinvestment, changes in value of split-interest agreements, and income from PPP loan forgiveness.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt investments with original maturities of three months or less when purchased to be cash equivalents, except for cash management funds maintained in the investment portfolio. The Foundation maintains its cash and cash equivalent balances with high credit quality banks in Honolulu. Balances are secured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation's balances are generally in excess of federally insured limits. Management believes the Foundation is not exposed to any significant credit risk with respect to its cash balances.

Investments

Investments are reported at fair value. Where applicable, investments are stated at net asset value (or its equivalent) as a practical expedient to fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Certain trust form component funds are placed in investment trust accounts called combined investment funds. The investment trust accounts are operated using the "market value unit method." Under this method, each component fund within the combined investment funds is assigned a number of units based upon the relationship of the market value of the funds' investments to all the combined investment funds' investments at the time of entry into the investment accounts. Combined investment funds earnings are allocated and distributed to participating funds based on their respective units in the accounts.

Certain corporate form component funds are also combined for investment management purposes in combined investment funds. Monthly investment earnings are allocated and distributed to participating funds based on average daily balances.

The primary investment objective of the combined investment funds is to provide for long term growth of capital and earnings without undue exposure to risk. The combined investment funds are also invested to preserve the real value (after inflation) of its assets while providing maximum earnings for grantmaking. The investment and payout policies work together to achieve this objective. Investment guidelines provide for a total rate of return net of fees, and define asset allocation targets and ranges, with an emphasis on equity based investments. Investment performance is measured on both an absolute and relative basis compared to a targeted composite index.

Payout Policy

The Foundation adheres to a payout policy in order to preserve the growth of its endowment assets and to ensure that the Foundation has a steady and growing stream of earnings to meet community needs.

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The payout that the Foundation distributes from the combined investment funds to each participating component fund for grants and program expenses is calculated by multiplying a fixed percentage by a base. The fixed percentage is reviewed periodically in light of evolving trends with respect to investment returns and the rate of inflation. The Foundation's payout percentage factor was 4% in 2021 and 2020. However, if the market value of a component fund drops below the contributions to the principal, then the payout percentage factor is reduced to 2%. Additionally, administrative service fees are paid to the Foundation from the combined investment funds to provide for the cost of administration.

The base is a 48-month rolling average market value of the respective participating component fund. Computation of the payout is made annually.

To the extent the payout exceeds interest and dividend income for the period, it is made from accumulated realized and/or unrealized gains.

Property and Equipment

Property and equipment is stated at cost if purchased or fair value if donated at the date received. Items purchased with a cost in excess of \$500 and a useful life exceeding one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of such property (5 to 7 years), or lease term, if shorter. Gains or losses from the disposition of property and equipment are included in current operations.

Fund Management

To ensure observation of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are managed as individual charitable funds, according to their nature and purpose. The Foundation's funds are as follows:

Operating Fund

The operating fund includes service fees, grants, contributions, and other revenues used to support the operating expenses of the Foundation.

Board Discretionary Funds

The board discretionary funds include contributions from donors who do not place any restrictions on their gifts, with the intention that the payout be used for general charitable purposes. Principal contributions are generally invested in perpetuity under the Foundation's Declaration of Trust. The Board of Governors determines how the payout is to be distributed.

Designated, Donor Advised, and Field of Interest Funds

The designated, donor advised, and field of interest funds include contributions from donors who indicate a field of charitable endeavor to which the payout is to be directed, who name specific charities to be income recipients, or who describe a group of individuals on whose behalf funds are to be expended. Principal contributions are generally invested in perpetuity under the Foundation's Declaration of Trust. Because of the Board of Governor's power to modify any restriction or condition in the distribution of funds, the amounts in these funds have been classified as without donor restrictions in the accompanying financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2021 and 2020

Pooled Income Fund

The pooled income fund was created to increase the endowment assets of the Foundation and to promote support to community charities. Donors contribute to the Foundation and receive income for life. Generally, at a donor's death, the residue of the gift is transferred to establish a board discretionary or designated fund, and earnings thereafter are distributed in accordance with the donor's instructions given at the time of the gift. The pooled income fund is considered donor restricted until, at the time of a donor's death, the funds are transferred to establish a board discretionary, designated, donor advised, or field of interest (component) fund of the Foundation.

Gift Annuities

The Foundation has entered into several charitable gift annuities whereby the Foundation has received a transfer of assets from a donor and is obligated to pay the donor quarterly or annual payments for the remainder of their lifetime. Upon death of the donor, any residual balance shall be retained by the Foundation. However, certain agreements also stipulate that a portion of the residual balance, if any, be paid to specified beneficiary organizations first. Contribution revenue from gift annuities is recognized at the date assets are received, net of gift annuity liabilities recorded. Gift annuity liabilities pertain to the Foundation's liability to the donor, based on the present value of payments to be made to the donor over their estimated remaining lifetime. The present value of payments to be made to the donors is calculated annually based on published mortality tables and discount rates ranging from 1.8% to 7.6%.

Classification of Net Assets

Financial statements of not-for-profit organizations measure aggregate net assets based on the absence or existence of donor-imposed restrictions. To meet this objective, net assets are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are available for use in general operations and not subject to donor or grantor restrictions.

GAAP provides that if the governing body of an organization has the ability to modify a donor restriction or condition (i.e. variance power), the contribution should be classified as without donor restrictions. The Foundation's variance power is promulgated in its By-Laws, Declarations of Trust and gift instruments. Accordingly, all net assets and related activity over which the Foundation maintains variance power are classified as without donor restrictions in the Foundation's financial statements. Despite this classification, the Foundation's policies and procedures for administering its charitable funds are to always follow the donor's intent as closely as possible.

Designations of net assets without donor restrictions have been made by the governing board to earmark certain net assets for long-term investment or to acknowledge donor intentions.

Net Assets With Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions could be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both; or in the case of unspent endowment earnings, when such earnings have been appropriated

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for expenditure under the Foundation's payout policy. The Foundation's net assets with donor restrictions represent net assets over which the Foundation's variance power does not apply, and includes perpetual endowments and the unspent earnings thereon; special purpose funds; a pooled income fund; and charitable gift annuities that must be invested pursuant to State law.

Fair Value of Financial Instruments

Investments are recorded at fair value as described above and in Note 4. The carrying amount of cash approximates fair value due to its short term nature. Funds held for other organizations and funds held as agency endowments are recorded at the fair values of the corresponding assets. Gift annuity liabilities are carried at the present value of the total future payments to annuitants and beneficiaries, based on discount rates in effect at the date of the gift. Loans payable are carried at contract value which approximates fair value.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other services have been summarized on a functional basis in the Statements of Revenues and Expenses and Changes in Net Assets. The Statements of Functional Expenses present the natural classification detail of expenses by function. Where applicable, costs that are readily identifiable to a function are directly charged to that function. Other costs have been allocated among the programs and supporting services benefited. Allocation methods are primarily based on management estimates of time spent by personnel working across functions.

Program services represent those costs associated with evaluating, recommending and monitoring applications, grants and programs. Finance and administration represents those costs associated with operational management, oversight of the Foundation's policies and procedures, and management of the Foundation's investment portfolio. Charitable services and donor relations, represent fundraising costs associated with communicating and assisting the general public along with potential and existing donors regarding the most effective ways to meet their charitable giving goals.

Advertising Costs

Advertising costs are charged to expense as incurred.

Income Taxes

The Foundation has received a determination from the Internal Revenue Service that its stated purpose is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is exempt from federal and state income and excise taxes, except on unrelated business income.

Management believes the Foundation's tax years prior to 2018 are no longer subject to examination by the Internal Revenue Service. Management is not aware of any significant uncertain tax positions taken on previously filed tax returns.

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2. Liquidity and Funds Available

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Foundation's year end comprise the following:

	2021	2020
Cash	\$ 917,784	\$ 232,714
Investments		
Operating fund	10,478,501	9,711,471
Unrestricted, non-endowed	140,019,538	115,326,033
Unrestricted, designated by board for endowment		
Amounts previously appropriated for expenditure	30,760,656	28,368,210
Appropriated for expenditure in coming year	25,279,262	23,258,410
Other	53,841	31,076
	<u>\$ 207,509,582</u>	<u>\$ 176,927,914</u>

The Foundation's board-designated endowments are subject to the Foundation's payout policy as described in Note 1. Although the Foundation does not intend to spend from board-designated endowments (other than amounts appropriated for general expenditure as part of the Foundation's annual budget approval and appropriation), these amounts could be made available for spending if necessary.

Amounts associated with donor-restricted gifts, both endowed and non-endowed, are not available for general expenditure, with the exception of donor endowments that stipulate that earnings from permanent endowments may be spent for general operating purposes.

As part of its liquidity management plan, the Foundation invests operating funds in excess of daily requirements in money market funds and mutual funds.

3. Contributions

Contributions for the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Contributions to principal	\$ 15,481,715	\$ 9,559,188
Contributions to income	73,590,384	72,545,852
	<u>\$ 89,072,099</u>	<u>\$ 82,105,040</u>

In 2021, sixteen donors made contributions of \$1 million or more, aggregating approximately \$65 million. In 2020, eighteen donors made contributions of \$1 million or more, aggregating approximately \$58 million.

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Contributions to principal are gifts intended to be invested in perpetuity. Distributions from these gifts are disbursed as grants or program expenditures to support charitable endeavors as provided in the payout policy.

Contributions to income consist of gifts intended to be paid out in their entirety as charitable grants and are available for use immediately.

4. Fair Value Measurements

Generally accepted accounting principles provide a framework for establishing fair value measurements. That framework provides a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority;
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument;
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies.

Additionally, certain investments, such as the Foundation's investments in privately managed investment funds, fall outside of the FASB's fair value hierarchy and are instead valued at net asset value (or its equivalent) as a practical expedient.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There were no changes in the fair value methodologies used at December 31, 2021 and 2020.

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Fair values of assets measured on a recurring basis are as follows as of December 31, 2021:

December 31, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs Other Than Active Markets (Level 2)	Other Than Active Markets (Level 3)
Common stock				
Basic materials	\$ 549,203	\$ 549,203	\$ -	\$ -
Capital goods	1,445,778	1,445,778	-	-
Communication services	1,720,188	1,720,188	-	-
Consumer goods	3,192,275	3,192,275	-	-
Energy	685,842	685,842	-	-
Financials	2,782,585	1,988,550	794,035	-
Health care	2,075,429	2,075,429	-	-
Technology	3,442,710	3,442,710	-	-
Utilities	607,142	607,142	-	-
Other	238,082	238,082	-	-
Total common stock	<u>16,739,234</u>			
Mutual and Other Funds				
Large cap	330,517,696	330,517,696	-	-
Mid cap	681,730	681,730	-	-
Small cap	16,293,156	16,293,156	-	-
Emerging markets	907,012	907,012	-	-
International	141,205,983	141,205,983	-	-
Fixed income	150,162,795	150,162,795	-	-
Total mutual/other funds	<u>639,768,372</u>			
Money market mutual funds	88,596,828	88,596,828	-	-
U.S. Treasury bonds	24,957,953	-	24,957,953	-
U.S. Gov't agency securities	25,927,342	-	25,927,342	-
Corporate bonds	66,128,452	-	66,128,452	-
Municipal bonds	12,907,531	-	12,907,531	-
Mortgage-backed securities	987,005	-	987,005	-
Privately managed equity funds (a)	3,199,089	-	-	-
Program loans (b)	2,200,000	-	-	2,200,000
Real property held for sale	1,451,000	-	1,451,000	-
Total	<u>\$ 882,862,806</u>	<u>\$ 744,310,399</u>	<u>\$ 133,153,318</u>	<u>\$ 2,200,000</u>

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Fair values of assets measured on a recurring basis are as follows as of December 31, 2020:

December 31, 2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs Other Than Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock				
Basic materials	\$ 487,813	\$ 487,813	\$ -	\$ -
Capital goods	1,188,942	1,188,942	-	-
Communication services	704,265	704,265	-	-
Consumer goods	1,619,052	1,619,052	-	-
Energy	215,763	215,763	-	-
Financials	2,610,965	1,816,930	794,035	-
Health care	1,619,796	1,619,796	-	-
Technology	2,309,265	2,309,265	-	-
Utilities	219,678	219,678	-	-
Other	264,433	264,433	-	-
Total common stock	<u>11,239,972</u>			
Mutual and Other Funds				
Large cap	284,613,109	284,613,109	-	-
Mid cap	721,098	721,098	-	-
Small cap	14,925,870	14,925,870	-	-
Emerging markets	989,655	989,655	-	-
International	128,769,541	128,769,541	-	-
Fixed income	124,281,588	124,281,588	-	-
Total mutual/other funds	<u>554,300,861</u>			
Money market mutual funds	96,379,445	96,379,445	-	-
U.S. Treasury bonds	24,578,411	-	24,578,411	-
U.S. Gov't agency securities	26,744,472	-	26,744,472	-
Corporate bonds	61,872,200	-	61,872,200	-
Municipal bonds	13,098,942	-	13,098,942	-
Mortgage-backed securities	1,105,104	-	1,105,104	-
Privately managed equity funds (a)	2,691,797	-	-	-
Total	<u>\$ 792,011,204</u>	<u>\$ 661,126,243</u>	<u>\$ 128,193,164</u>	<u>\$ -</u>

(a) - Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy and thus are not assigned to Levels 1, 2 or 3.

(b) - Program loans are with nonprofit financial intermediaries for the purpose of relending to small businesses, income constrained home buyers, and affordable housing candidates. Loans bear interest at 1% per annum and mature at various dates in 2028.

Investments in corporate bonds are investment grade and diversified among multiple industry sectors, primarily with U.S. based issuers.

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Investment in privately managed investment funds consists of:

- a limited partnership that invests substantially all of its investable assets in a master investment fund related to the limited partnership. The master fund invests primarily in privately managed investment funds with investment strategies that include long and short positions, distressed debt, event driven, arbitrage and emerging markets, with geographic emphasis on both U.S. and global markets. The Foundation may make semi-annual withdrawals with 90 days written notice. There are no unfulfilled capital commitments with respect to this investment.
- two limited liability company investments with a common investment manager that invest in venture capital funds. The investments do not provide liquidity or redemption rights and are not readily marketable. Unfulfilled capital commitments are \$755,000 for both investments.

Following is a description of the valuation methodologies used for assets at fair value.

Common stock: Valued at the closing price reported on active stock exchanges if publicly traded; otherwise valued based on third party appraisal which uses significant observable inputs including offering price of similar classes of stock of the same issuer.

Money market, mutual and exchange traded funds: Valued at the closing price reported on active stock exchanges.

Corporate bonds, U.S. government and municipal obligations: Valued primarily by pricing models that incorporate available trade, bid and other market information.

Mortgage-backed securities: This asset group consists of collateralized mortgage obligations and mortgage pass-thru pools. The securities are valued by pricing models that incorporate available trade, bid and other market information.

Privately managed investment funds: Valued at investor's capital, as reported by the investment manager.

Program loans – Valued at cost which management believes approximates market value.

Real property held for sale: Valued based on independent third party appraisal.

Subsequent to year end through September 30, 2022, the stock and bond markets both experienced losses. Bond indices (eg. Bloomberg U.S. Aggregate; U.S. Government/Credit Long) reflected losses ranging from 10-30%. Stock indices (eg. S&P 500, Russell 1000, MSCI EAFE) reflected losses ranging from 20-30%. The Foundation's investment values have been negatively affected by these losses.

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5. Investments

The Foundation's investments at December 31, 2021 and 2020 were as follows:

	2021	2020
Combined investment funds		
Common stock	\$ 3,041,255	\$ 2,283,533
U.S. Treasury and other government agencies	36,054,194	37,737,684
Corporate bonds	46,701,665	44,598,091
Municipal bonds	7,607,194	7,970,707
Mutual and other funds	532,421,139	454,853,110
Money market mutual funds	17,244,189	19,280,994
Mortgage-backed securities	987,005	1,105,104
Total combined investment funds	<u>644,056,641</u>	<u>567,829,223</u>
Money market mutual funds	71,352,639	77,098,451
Mutual funds	107,347,233	99,447,751
Common stock	13,697,979	8,956,439
U.S. Treasury and other agency bonds	14,831,101	13,585,199
Corporate bonds	19,426,787	17,274,109
Municipal bonds	5,300,337	5,128,235
Privately managed investment funds	3,199,089	2,691,797
Program loans	2,200,000	-
Property held for sale	1,451,000	-
	<u>\$ 882,862,806</u>	<u>\$ 792,011,204</u>

6. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Equipment	\$ 892,448	\$ 937,446
Software	513,096	513,096
Furniture and fixtures	91,491	117,565
Leasehold improvements	61,548	61,548
Automobile	10,200	10,200
Work in progress	445,993	14,000
	<u>2,014,776</u>	<u>1,653,855</u>
Less: Accumulated depreciation and amortization	<u>1,489,220</u>	<u>1,530,718</u>
	525,556	123,137
Artwork	<u>100,461</u>	<u>100,461</u>
	<u>\$ 626,017</u>	<u>\$ 223,598</u>

Depreciation and amortization expense was \$39,231 and \$55,453 in 2021 and 2020, respectively.

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7. Perpetual Trusts and Supporting Organizations

The Foundation is a beneficiary of income from assets held in perpetual trust by other organizations. The three most significant of these trusts are the Robert E. Black Memorial Trust (the "Black Trust"), the Prisanlee Trust, and the Parker Ranch Foundation Trust.

The Foundation is an income beneficiary of 70% of the income of the Black Trust, a supporting organization of the type described in Section 509(a)(3) of the Internal Revenue Code. At December 31, 2021, the fair value of the Black Trust's assets, which consists of marketable securities, was approximately \$68,377,000; the Foundation's 70% interest was approximately \$47,863,000. At December 31, 2020, the fair value of the Black Trust's assets was approximately \$62,098,000; the Foundation's 70% interest was approximately \$43,469,000.

The Foundation is an income beneficiary of 100% of the income of the Prisanlee Trust, a supporting organization, 27% of which is distributed to specific organizations. At December 31, 2021 and 2020, the fair value of the Prisanlee Trust's assets, which consists of marketable securities, was approximately \$18,059,000 and \$16,488,000 respectively.

The Foundation is an income beneficiary of 20% of the income of the Parker Ranch Foundation Trust. At December 31, 2021, the audited book value of the Parker Ranch Foundation Trust's net assets, which consists of real property, investments, inventories and other assets, net of liabilities, was approximately \$249,073,000; the Foundation's 20% interest was approximately \$49,815,000. At December 31, 2020, the audited book value of the Parker Ranch Foundation Trust's net assets was approximately \$256,785,000; the Foundation's 20% interest was approximately \$51,357,000.

Hawai'i Leadership Forum ("HLF") is a nonprofit organization formed to serve as a supporting organization to the Foundation with a focus on creating and operating leadership programs for individuals in the State of Hawai'i. The majority of HLF's directors are appointed by the Board of Governors of the Foundation. In 2021 and 2020, the Foundation made grants to HLF amounting to \$2,295,750 and \$3,967,250, respectively.

The Foundation's interests in these perpetual trusts and supporting organizations are not included in the accompanying modified cash basis financial statements.

Income from perpetual trusts for 2021 and 2020 consisted of the following:

Constituent	Fund	2021	2020
Robert E. Black Memorial Trust	Robert E. Black	\$ 1,821,400	\$ 1,596,000
Parker Ranch Foundation Trust	Richard Smart	722,140	708,148
Prisanlee Trust	Prisanlee	706,220	674,960
Wodehouse Trust	Hawaii Children's Trust	402,897	275,828
Other	various	110,958	109,546
		<u>\$ 3,763,615</u>	<u>\$ 3,364,482</u>

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8. Tobacco Prevention and Control Trust Fund

The Foundation is party to a contract with the State of Hawai'i, Department of Health (the "State"), to be the primary administrator for the Tobacco Prevention and Control Trust Fund (the "Tobacco Fund"). This task involves oversight of investment management and performance of the funds held and the selecting and supporting of programmatic initiatives aimed at delivering direct services associated with tobacco prevention and control. Amounts held by the Foundation are refundable to the State should the State choose to terminate this contract. Such amounts are recorded as contract funds held for Tobacco Fund in the Statements of Assets, Liabilities and Net Assets.

Pursuant to the contract with the State, it is the Foundation's responsibility to make grant disbursements based on general guidelines established by the State and other parties. Accordingly, grant disbursements are generally accounted for as exchange transactions and reflected as disbursements in the Statements of Revenues and Expenses and Changes in Net Assets. To the extent that grant disbursements are made pursuant to direction by the State or its agents, such disbursements are accounted for as agency transactions.

At December 31, 2021 and 2020, the Foundation held amounts of \$62,498,762 and \$59,920,577, respectively, related to the Tobacco Fund. As allowed under the agreement with the State, these amounts are invested in money market and other mutual funds, corporate and government bonds, and domestic and international equities.

9. Charitable Gift Annuities

Assets and liabilities associated with charitable gift annuities at December 31, 2021 and 2020 were:

	2021	2020
Assets	\$ 1,122,870	\$ 1,325,970
Liabilities	<u>707,902</u>	<u>857,841</u>
Net assets	<u>\$ 414,968</u>	<u>\$ 468,129</u>
Composition of net assets (deficit)		
Without donor restrictions	\$ (208,416)	\$ (217,322)
With donor restrictions	<u>623,384</u>	<u>685,451</u>
	<u>\$ 414,968</u>	<u>\$ 468,129</u>

Assets are carried at fair market value and consist primarily of mutual and money market funds. Net assets in a deficit position represent contracts whose liabilities exceed the related assets.

As required by State law, the Foundation must maintain assets equal to the sum of its reserves on its outstanding annuity agreements, plus a surplus of ten percent of the reserves or \$100,000 whichever is higher. The Foundation has designated specific assets to meet this reserve requirement.

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10. Leases

The Foundation has several operating leases for office space, two of which have remaining noncancelable terms exceeding one year expiring November 2024 and December 2031. The future minimum rental payments for these two leases are as follows:

Years ending	
2022	\$ 292,200
2023	442,700
2024	440,500
2025	389,900
2026	389,900
Thereafter	2,079,300
	<u>\$ 4,034,500</u>

Rental expense for the years ended December 31, 2021 and 2020 was \$472,446 and \$573,420, respectively.

11. Funds Held As Agency Endowments

Agency endowments represent endowment funds established by unaffiliated nonprofit organizations for their own benefit with the Foundation. At December 31, 2021 and 2020, agency endowment funds had a combined value of \$8,060,625 and \$7,041,803, respectively.

The following table summarizes the activity in these funds for the years ended December 31, 2021 and 2020:

Funds held as agency endowments, January 1, 2020	\$ 5,843,833
Amounts raised	5,749,635
Investment income	136,480
Net appreciation of investments	808,828
Grants	(5,291,202)
Other	(205,771)
	<u>7,041,803</u>
Funds held as agency endowments, December 31, 2020	7,041,803
Amounts raised	1,353,897
Investment income	148,335
Net appreciation of investments	707,317
Grants	(351,127)
Other	(839,600)
	<u>\$ 8,060,625</u>
Funds held as agency endowments, December 31, 2021	<u>\$ 8,060,625</u>

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12. PPP Loan

In May 2020, the Foundation obtained a loan under the Paycheck Protection Program (PPP) in the amount of \$1,346,600. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying organizations. The loans and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the payroll measurement period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first six months.

The Foundation is accounting for the loan as a conditional government grant, to be recognized into income once barriers to entitlement are met. Management has determined that those barriers will be met upon the incurrence of qualifying expenses, the submission of a loan forgiveness application, and the approval of the loan forgiveness application by the lender.

The Foundation's loan was forgiven by the lender in January 2021 and as such the income associated with loan forgiveness was recognized in 2021.

13. Service and Administrative Fees

The Foundation's operating fund receives fees from its board discretionary, designated, donor advised, and field of interest funds, and from other foundations and organizations for performing certain philanthropic service and administrative functions.

Service and administrative fees for the years ended December 31, 2021 and 2020 presented in the accompanying Statements of Revenues and Expenses and Changes in Net Assets exclude fees from its board discretionary, designated, donor advised and field of interest funds, as follows:

	2021	2020
Total service and administrative fees	\$ 11,313,945	\$ 9,170,572
Less: Fees received from board discretionary, designated, donor advised, and field of interest funds	<u>9,820,333</u>	<u>7,753,923</u>
Service and administrative fees from third parties	<u>\$ 1,493,612</u>	<u>\$ 1,416,649</u>

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14. Operating Fund

The following table summarizes the activity in the operating fund for the years ended December 31, 2021 and 2020:

	2021	2020
Revenues		
Service and administrative fees	\$ 11,313,945	\$ 9,170,572
Interest and dividends	140,688	144,764
Contributions	1,612,721	414,138
Investment gains and other income	1,873,435	870,219
Total revenues	14,940,789	10,599,693
Expenses		
Finance and administration	4,059,885	3,637,850
Program services	3,361,064	3,491,306
Charitable services and donor relations	3,556,788	3,437,233
Total expenses	10,977,737	10,566,389
Change in net assets before transfers from other funds	3,963,052	33,304
Transfers from (to) other funds	(751,185)	617,876
Total change in net assets	3,211,867	651,180
Net assets		
Beginning of year	8,834,599	8,183,419
End of year	\$ 12,046,466	\$ 8,834,599

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15. Net Assets

The Foundation manages many of its funds as endowed funds in accordance with donor preferences regardless of GAAP classification. Endowed funds are perpetual in nature and include both the original donor gift and any unspent investment earnings thereon. Annual expenditures from endowment funds are generally limited by the Foundation's payout policy. The Foundation classifies its net assets as follows:

As of December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds			
Board-designated endowments			
Board discretionary funds	\$ 31,906,506	\$ 7,233,519	\$ 39,140,025
Designated or restricted	228,613,599	-	228,613,599
Donor advised, advisory board and field of interest	363,087,676	-	363,087,676
Donor-restricted endowments			
Unrestricted	-	747,376	747,376
Social programs	-	11,565,521	11,565,521
Subtotal endowment funds	<u>623,607,781</u>	<u>19,546,416</u>	<u>643,154,197</u>
Non-Endowment Funds			
Operating fund	12,046,466	-	12,046,466
Designated, donor advised, advisory board and field of interest	142,009,954	-	142,009,954
Restricted for social programs	-	15,482,444	15,482,444
Pooled income funds	-	31,998	31,998
Gift annuities	-	623,384	623,384
Special projects	-	24,879	24,879
Subtotal non-endowment funds	<u>154,056,420</u>	<u>16,162,705</u>	<u>170,219,125</u>
Total net assets	<u>\$ 777,664,201</u>	<u>\$ 35,709,121</u>	<u>\$ 813,373,322</u>

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As of December 31, 2020	Without Donor Restrictions	Without Donor Restrictions	Total
Endowment Funds			
Board-designated endowments			
Board discretionary funds	\$ 29,839,001	\$ -	\$ 29,839,001
Designated or restricted	205,223,118	6,668,495	211,891,613
Donor advised, advisory board and field of interest	326,757,344	-	326,757,344
Donor-restricted endowments			
Unrestricted	-	651,057	651,057
Social programs	-	10,805,234	10,805,234
Subtotal endowment funds	<u>561,819,463</u>	<u>18,124,786</u>	<u>579,944,249</u>
Non-Endowment Funds			
Operating fund	8,834,599	-	8,834,599
Designated, donor advised, advisory board and field of interest	116,828,171	-	116,828,171
Restricted for social programs	-	17,153,304	17,153,304
Pooled income funds	-	33,128	33,128
Gift annuities	-	685,451	685,451
Special projects	-	24,879	24,879
Subtotal non-endowment funds	<u>125,662,770</u>	<u>17,896,762</u>	<u>143,559,532</u>
Total net assets	<u>\$ 687,482,233</u>	<u>\$ 36,021,548</u>	<u>\$ 723,503,781</u>

Changes in endowment net assets for the years ending December 31, 2021 and 2020 were as follows:

Endowment Net Assets	Without Donor Restrictions	Without Donor Restrictions	Total
January 1, 2020	\$ 508,949,655	\$ 16,228,206	\$ 525,177,861
Investment return, net	60,805,584	2,463,819	63,269,403
Contributions	10,971,864	145,950	11,117,814
Amounts appropriated for expenditure	(16,063,266)	(500,316)	(16,563,582)
Other changes	(2,844,374)	(212,873)	(3,057,247)
December 31, 2020	<u>561,819,463</u>	<u>18,124,786</u>	<u>579,944,249</u>
Investment return, net	64,081,932	2,392,163	66,474,095
Contributions	16,871,518	9,980	16,881,498
Amounts appropriated for expenditure	(17,092,723)	(794,184)	(17,886,907)
Other changes	(2,072,409)	(186,329)	(2,258,738)
December 31, 2021	<u>\$ 623,607,781</u>	<u>\$ 19,546,416</u>	<u>\$ 643,154,197</u>

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Notes to Financial Statements
December 31, 2021 and 2020

Interpretation of SPMIFA

The Board of Governors of the Foundation, in consultation with legal counsel, has determined that the Foundation is not subject to the State's Uniform Prudent Management of Institutional Funds Act (SPMIFA) for those funds over which the Foundation maintains variance power (as described in Note 1). For those funds over which the Foundation does not maintain variance power, the Board has interpreted that SPMIFA does apply and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. SPMIFA does not require the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result, the Foundation considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent gift amounts donated to the fund. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Foundation did not have any underwater endowments at December 31, 2021 or 2020.

16. Retirement Plan

The Foundation has a defined contribution retirement plan covering all employees. Contributions are based upon a percentage of the employees' compensation and are funded currently. Contributions to the plan were approximately \$570,045 and \$589,116 for the years ended December 31, 2021 and 2020, respectively.

17. Related Parties

The Foundation's board of governors is composed of business and civic leaders in the State of Hawai'i. Certain of these business leaders have past and present affiliations with three financial institutions that provide trustee services for the Foundation. Trustee and custodial fees paid to these three financial institutions amounted to approximately \$3,065,000 and \$2,522,000 in 2021 and 2020, respectively. A member of the board of governors is also the principal of a consulting firm that provided services to the Foundation, amounting to approximately \$102,000 and \$93,000 in 2021 and 2020, respectively. Additionally, certain board members or officers may have affiliations with other nonprofit organizations that may be the recipient of Foundation grants. The Foundation's conflict of interest policies require that persons in potential conflict situations abstain from participating in decision-making processes.

18. Subsequent Events

Management has reviewed and considered whether events occurring after year end should be reflected or disclosed in these financial statements. The date through which this review was conducted was November 9, 2022, the date the financial statements were available to be issued.

Hawai'i Community Foundation
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December 31, 2021 and 2020

19. Community Grantmaking Services (UNAUDITED)

The Foundation assists private foundations and other organizations in their community grantmaking by providing grant evaluation and grant management services. The Foundation receives a fee for these contracted services. Through this activity, the Foundation facilitated approximately \$14,819,000 and \$18,039,000 of additional community grantmaking by these private foundations and organizations for the years ended December 31, 2021 and 2020 respectively, which is not reflected in the Foundation's financial statements. The direct costs of services related to this activity are included in the expenses shown in the Statements of Revenues and Expenses and Changes in Net Assets as well as the Statements of Functional Expenses under Program Services which is described in Note 1.

Supplementary Information

Hawai'i Community Foundation
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Schedule of Pooled Income Fund Investments
December 31, 2021 and 2020

Supplementary Information

	2021		
	Units	Cost	Fair Value
Fixed income funds			
Federated Total Return Bond Fund	451	\$ 4,986	\$ 5,031
Vanguard Total Bond Market Index	1,808	19,535	20,232
Baird Aggregate Bond Fund	155	1,800	1,762
Total fixed income funds	<u>2,414</u>	<u>26,321</u>	<u>27,025</u>
Money market funds			
Dreyfus Cash Management		417	417
Blackrock Liquidity Fund		4,556	4,556
		<u>\$ 31,294</u>	<u>\$ 31,998</u>
	2020		
	Units	Cost	Fair Value
Fixed income funds			
Federated Total Return Bond Fund	451	\$ 4,986	\$ 5,216
Vanguard Total Bond Market Index	1,808	19,535	21,009
Bishop Street High Grade Income Fund	180	1,715	1,869
Total fixed income funds	<u>2,439</u>	<u>26,236</u>	<u>28,094</u>
Money market funds			
Dreyfus Cash Management		482	482
Blackrock Liquidity Fund		4,552	4,552
		<u>\$ 31,270</u>	<u>\$ 33,128</u>

Hawai'i Community Foundation
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Schedule of Changes in Pooled Income
Fund Investments
Years Ended December 31, 2021 and 2020

Supplementary Information

	Cost			
	January 1, 2021	Purchases / 2021	Sales / Maturities	December 31, 2021
Fixed income funds				
Federated Total Return Bond Fund	\$ 4,986	\$ -	\$ -	\$ 4,986
Vanguard Total Bond Market Index	19,535	-	-	19,535
Bishop Street High Grade Income Fund	1,715	-	(1,715)	-
Baird Aggregate Bond Fund	-	1,800	-	1,800
Total fixed income funds	<u>26,236</u>	<u>1,800</u>	<u>(1,715)</u>	<u>26,321</u>
Money market funds				
Dreyfus Cash Management	482	622	(687)	417
Blackrock Liquidity Fund	4,552	1,859	(1,855)	4,556
Total money market funds	<u>5,034</u>	<u>2,481</u>	<u>(2,542)</u>	<u>4,973</u>
	<u>\$ 31,270</u>	<u>\$ 4,281</u>	<u>\$ (4,257)</u>	<u>\$ 31,294</u>

	Cost			
	January 1, 2020	Purchases / Additions	Sales / Maturities	December 31, 2020
Fixed income funds				
Federated Total Return Bond Fund	\$ 4,986	\$ -	\$ -	\$ 4,986
Vanguard Total Bond Market Index	19,535	-	-	19,535
Bishop Street High Grade Income Fund	1,715	-	-	1,715
Total fixed income funds	<u>26,236</u>	<u>-</u>	<u>-</u>	<u>26,236</u>
Money market funds				
Dreyfus Cash Management	366	762	(646)	482
Blackrock Liquidity Fund	4,540	61	(49)	4,552
Total money market funds	<u>4,906</u>	<u>823</u>	<u>(695)</u>	<u>5,034</u>
	<u>\$ 31,142</u>	<u>\$ 823</u>	<u>\$ (695)</u>	<u>\$ 31,270</u>