

Hawai'i Community Foundation

(A Nonprofit Organization)

Financial Statements

**December 31, 2022 (with comparative totals for the
year ended December 31, 2021)**

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Hawai'i Community Foundation (the "Foundation") (a nonprofit organization), which comprise the statement of assets, liabilities and net assets (modified cash basis) as of December 31, 2022, 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 year then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of December 31, 2022, and its revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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.

Report on Summarized Comparative Information

I have previously audited Hawai'i Community Foundation's 2021 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated November 9, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information regarding community grantmaking services presented in Note 20 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.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The pooled income fund investments schedules on pages 29 and 30 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 audit 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.

A handwritten signature in black ink that reads "James P. Herselman, CPA, LLC". The signature is written in a cursive, flowing style.

Honolulu, Hawai'i
February 21, 2024

Hawai'i Community Foundation
Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2022
(with comparative totals as of December 31, 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 917,098	\$ 917,784
Investments, at fair value	755,011,854	882,862,806
Property and equipment, net	28,126,189	626,017
Other	234,377	238,233
Total assets	<u>\$ 784,289,518</u>	<u>\$ 884,644,840</u>
Liabilities and Net Assets		
Liabilities		
Contract funds held for		
Tobacco Fund	\$ 53,876,996	\$ 62,498,762
Funds held as agency endowments	6,615,446	8,060,625
Gift annuity liabilities	673,462	707,902
Other	3,581	4,229
Total liabilities	<u>61,169,485</u>	<u>71,271,518</u>
Net assets		
Without donor restrictions	666,422,334	777,664,201
With donor restrictions	56,697,699	35,709,121
Total net assets	<u>723,120,033</u>	<u>813,373,322</u>
Total liabilities and net assets	<u>\$ 784,289,518</u>	<u>\$ 884,644,840</u>

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

Hawai'i Community Foundation
Statement of Revenues and Expenses and Changes in Net Assets (Modified Cash Basis)
Year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Contributions available for grant making and programs -				
Cash and other financial assets	\$ 27,561,054	\$ 5,771,431	\$ 33,332,485	\$ 73,185,384
Nonfinancial assets	-	-	-	405,000
Contracts and grants – Tobacco Fund	3,430,713	-	3,430,713	3,754,808
Contracts and grants – CARES Act	-	-	-	1,867,702
Contracts and grants – Other	-	2,152,650	2,152,650	1,815,943
Investment return expendable for grant making and operations	34,877,801	728,512	35,606,313	32,530,834
Income from perpetual trusts	3,396,887	735,102	4,131,989	3,763,615
Service and administrative fees	1,288,346	-	1,288,346	1,493,612
Net assets released from restrictions				
Satisfaction of program restrictions	11,540,552	(11,540,552)	-	-
Endowment payout policy appropriations	803,347	(803,347)	-	-
Other	107,166	-	107,166	48,062
Total revenues	<u>83,005,866</u>	<u>(2,956,204)</u>	<u>80,049,662</u>	<u>118,864,960</u>
Expenses				
Grants and scholarships	60,164,561	-	60,164,561	73,901,473
Grants – Tobacco Fund	2,490,558	-	2,490,558	2,832,739
Program services	7,628,774	-	7,628,774	7,208,280
Finance and administration	4,315,083	-	4,315,083	4,059,885
Charitable services and donor relations	3,734,605	-	3,734,605	3,556,788
Total expenses	<u>78,333,581</u>	<u>-</u>	<u>78,333,581</u>	<u>91,559,165</u>
Change in net assets from operating activities	4,672,285	(2,956,204)	1,716,081	27,305,795
Nonoperating activities				
Contributions designated for investment of principal -				
Cash and other financial assets	29,697,942	1,210,884	30,908,826	14,657,245
Nonfinancial assets	-	26,942,000	26,942,000	824,470
Investment return designated for reinvestment	(145,620,949)	(4,116,427)	(149,737,376)	45,703,576
Change in value of split-interest agreements	8,855	(91,675)	(82,820)	31,855
PPP loan forgiveness	-	-	-	1,346,600
Total nonoperating activities	<u>(115,914,152)</u>	<u>23,944,782</u>	<u>(91,969,370)</u>	<u>62,563,746</u>
Total change in net assets	<u>(111,241,867)</u>	<u>20,988,578</u>	<u>(90,253,289)</u>	<u>89,869,541</u>
Net assets				
Beginning of year	<u>777,664,201</u>	<u>35,709,121</u>	<u>813,373,322</u>	<u>723,503,781</u>
End of Year	<u>\$ 666,422,334</u>	<u>\$ 56,697,699</u>	<u>\$ 723,120,033</u>	<u>\$ 813,373,322</u>

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

Hawai'i Community Foundation
Statement of Functional Expenses (Modified Cash Basis)
Year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	2022				2021
	Program Services	Finance and Administration	Charitable Services and Donor Relations	Total	Total
Grants					
Grants and scholarships	\$ 60,164,561	\$ -	\$ -	\$ 60,164,561	\$ 73,901,473
Grants - Tobacco Fund	2,490,558	-	-	2,490,558	2,832,739
Total grants	62,655,119	-	-	62,655,119	76,734,212
Personnel expenses	3,097,287	3,014,592	2,796,505	8,908,384	8,402,188
Professional fees	3,872,217	365,748	392,122	4,630,087	4,731,950
Occupancy	198,402	289,039	173,164	660,605	606,264
Conferences and meetings	135,970	9,248	123,269	268,487	63,866
Advertising	-	-	86,903	86,903	227,245
Information technology	7,407	363,593	108	371,108	261,312
Travel	38,877	32,349	24,290	95,516	43,121
Office expenses	36,573	50,110	23,753	110,436	90,905
Professional development	53,163	28,276	18,189	99,628	70,011
Printing and publication	7,860	3,180	20,052	31,092	20,352
Depreciation	45,747	59,663	22,020	127,430	39,231
Insurance	28,526	14,704	5,427	48,657	28,708
Other expenses	106,745	84,581	48,803	240,129	239,800
	<u>\$ 70,283,893</u>	<u>\$ 4,315,083</u>	<u>\$ 3,734,605</u>	<u>\$ 78,333,581</u>	<u>\$ 91,559,165</u>

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

Hawai‘i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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 Statement 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 Statement 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

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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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Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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 2022 and 2021. 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

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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. 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 for expenditure under the Foundation's payout policy. The Foundation's net assets with donor

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other services have been summarized on a functional basis in the Statement of Revenues and Expenses and Changes in Net Assets. The Statement 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 2019 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.

New Accounting Standard

The Foundation implemented ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in 2022, with retroactive treatment to 2021. This new standard is a presentation and disclosure standard only, resulting in no accounting changes.

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Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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:

	2022	2021
Cash	\$ 916,436	\$ 917,784
Investments		
Operating fund	10,062,800	10,478,501
Unrestricted, non-endowed	123,593,378	140,019,538
Unrestricted, designated by board for endowment		
Amounts previously appropriated for expenditure	29,171,494	30,760,656
Appropriated for expenditure in coming year	25,582,652	25,279,262
Other	96,330	53,841
	<u>\$ 189,423,090</u>	<u>\$ 207,509,582</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, 2022 and 2021 consisted of the following:

	2022	2021
Contributions to principal	\$ 57,850,826	\$ 15,481,715
Contributions to income	33,332,485	73,590,384
	<u>\$ 91,183,311</u>	<u>\$ 89,072,099</u>

In 2022, thirteen donors made contributions of \$1 million or more, aggregating approximately \$67 million. In 2021, sixteen donors made contributions of \$1 million or more, aggregating approximately \$65 million.

Hawai‘i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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) (“NAV”) 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, 2022 and 2021.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

Fair values of assets measured on a recurring basis are as follows as of December 31, 2022:

December 31, 2022	Fair Value	Level 1	Level 2	Level 3	NAV
Common stock					
Basic materials	\$ 683,139	\$ 683,139	\$ -	\$ -	\$ -
Capital goods	834,231	834,231	-	-	-
Communication services	677,843	677,843	-	-	-
Consumer goods	2,199,234	2,199,234	-	-	-
Energy	808,722	808,722	-	-	-
Financials	2,205,997	1,411,962	794,035	-	-
Health care	1,737,905	1,737,905	-	-	-
Technology	1,987,272	1,987,272	-	-	-
Utilities	379,805	379,805	-	-	-
Other	183,270	183,270	-	-	-
Total common stock	<u>11,697,418</u>				
Mutual and Other Funds					
Large cap	262,985,919	262,985,919	-	-	-
Mid cap	775,627	775,627	-	-	-
Small cap	12,435,224	12,435,224	-	-	-
Emerging markets	946,231	946,231	-	-	-
International	124,756,528	124,756,528	-	-	-
Fixed income	125,070,250	125,070,250	-	-	-
Total mutual/other funds	<u>526,969,779</u>				
Money market mutual funds	91,796,735	91,796,735	-	-	-
U.S. Treasury bonds	29,173,332	-	29,173,332	-	-
U.S. Gov't agency securities	15,582,759	-	15,582,759	-	-
Corporate bonds	60,554,045	-	60,554,045	-	-
Municipal bonds	10,812,803	-	10,812,803	-	-
Mortgage-backed securities	949,567	-	949,567	-	-
Alternatives (a)	3,275,416	-	-	160,184	3,115,232
Program loans (b)	4,200,000	-	-	4,200,000	-
Total	<u>\$ 755,011,854</u>	<u>\$ 629,669,897</u>	<u>\$ 117,866,541</u>	<u>\$ 4,360,184</u>	<u>\$ 3,115,232</u>

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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

December 31, 2021	Fair Value	Level 1	Level 2	Level 3	NAV
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	-	-
Alternatives (a)	3,199,089	-	-	-	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>	<u>\$ 3,199,089</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 2032.

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

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

Alternative investments consist of:

- Privately managed investment funds carried at NAV:
 - 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 \$540,000 for both investments.
- a limited partnership that invests in oil and gas properties. This investment does not provide liquidity or redemption rights and is not readily marketable. Investment is carried at fair value as provided by the general partner based on discounted cash flow analyses and other valuation techniques.

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 (net asset value).

Oil and gas limited partnership: Valued at fair value as provided by the general partner based on discounted cash flow analyses and other valuation techniques.

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

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

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

5. Investments

The Foundation's investments at December 31, 2022 and 2021 were as follows:

	2022	2021
Combined investment funds		
Common stock	\$ 2,575,654	\$ 3,041,255
U.S. Treasury and other government agencies	29,271,960	36,054,194
Corporate bonds	44,399,569	46,701,665
Municipal bonds	5,414,307	7,607,194
Mutual and other funds	440,089,882	532,421,139
Money market mutual funds	18,393,736	17,244,189
Mortgage-backed securities	949,567	987,005
Total combined investment funds	541,094,675	644,056,641
Money market mutual funds	73,402,999	71,352,639
Mutual funds	86,879,897	107,347,233
Common stock	9,121,764	13,697,979
U.S. Treasury and other agency bonds	15,484,131	14,831,101
Corporate bonds	16,154,476	19,426,787
Municipal bonds	5,398,496	5,300,337
Privately managed investment funds	3,275,416	3,199,089
Program loans	4,200,000	2,200,000
Property held for sale	-	1,451,000
	<u>\$ 755,011,854</u>	<u>\$ 882,862,806</u>

6. Property and Equipment

Property and equipment at December 31, 2022 and 2021 consisted of the following:

	2022	2021
Equipment	\$ 509,399	\$ 892,448
Software	245,942	513,096
Furniture and fixtures	467,191	91,491
Leasehold improvements	86,446	61,548
Automobile	-	10,200
Work in progress	11,000	445,993
	<u>1,319,978</u>	<u>2,014,776</u>
Less: Accumulated depreciation and amortization	<u>236,250</u>	<u>1,489,220</u>
	1,083,728	525,556
Real property, to be used for programs	26,942,000	-
Artwork	100,461	100,461
	<u>\$ 28,126,189</u>	<u>\$ 626,017</u>

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

Depreciation and amortization expense was \$127,430 and \$39,231 in 2022 and 2021, respectively.

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, 2022, the fair value of the Black Trust's assets, which consists of marketable securities, was approximately \$54,068,000; the Foundation's 70% interest was approximately \$37,847,000. At December 31, 2021, the fair value of the Black Trust's assets was approximately \$68,377,000; the Foundation's 70% interest was approximately \$47,863,000.

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, 2022 and 2021, the fair value of the Prisanlee Trust's assets, which consists of marketable securities, was approximately \$14,100,000 and \$18,059,000 respectively.

The Foundation is an income beneficiary of 20% of the income of the Parker Ranch Foundation Trust. At December 31, 2022, 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 \$235,028,000; the Foundation's 20% interest was approximately \$47,006,000. At December 31, 2021, the audited book value of the Parker Ranch Foundation Trust's net assets was approximately \$249,073,000; the Foundation's 20% interest was approximately \$49,815,000.

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 2022 and 2021, the Foundation made grants to HLF amounting to \$2,243,000 and \$2,295,750, respectively.

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

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

Income from perpetual trusts for 2022 and 2021 consisted of the following:

Constituent	Fund	2022	2021
Robert E. Black Memorial Trust	Robert E. Black	\$ 2,023,000	\$ 1,821,400
Parker Ranch Foundation Trust	Richard Smart	735,102	722,140
Prisanlee Trust	Prisanlee	862,680	706,220
Wodehouse Trust	Hawaii Children's Trust	381,127	402,897
Other	various	130,080	110,958
		<u>\$ 4,131,989</u>	<u>\$ 3,763,615</u>

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, 2022 and 2021, the Foundation held amounts of \$53,876,996 and \$62,498,762, 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.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

9. Charitable Gift Annuities

Assets and liabilities associated with charitable gift annuities at December 31, 2022 and 2021 were:

	2022	2021
Assets	\$ 874,842	\$ 1,122,870
Liabilities	673,462	707,902
Net assets	<u>\$ 201,380</u>	<u>\$ 414,968</u>
Composition of net assets (deficit)		
Without donor restrictions	\$ (199,561)	\$ (208,416)
With donor restrictions	400,941	623,384
	<u>\$ 201,380</u>	<u>\$ 414,968</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.

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 April 2032. The future minimum rental payments for these two leases are as follows:

Years ending	
2023	\$ 457,500
2024	440,500
2025	389,900
2026	389,900
2027	389,900
Thereafter	1,689,400
	<u>\$ 3,757,100</u>

Rental expense for the years ended December 31, 2022 and 2021 was \$546,646 and \$472,446, respectively.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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, 2022 and 2021, agency endowment funds had a combined value of \$6,615,446 and \$8,060,625, respectively.

The following table summarizes the activity in these funds for the years ended December 31, 2022 and 2021:

Funds held as agency endowments, January 1, 2021	\$ 7,041,803
Amounts raised	1,353,897
Investment income	148,335
Net appreciation of investments	707,317
Grants	(351,127)
Other	(839,600)
Funds held as agency endowments, December 31, 2021	8,060,625
Amounts raised	243,297
Investment income	153,978
Net depreciation of investments	(1,416,955)
Grants	(357,945)
Other	(67,554)
Funds held as agency endowments, December 31, 2022	\$ 6,615,446

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), provided for loans to qualifying organizations. The loans and accrued interest were forgivable if the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

The Foundation accounted for the loan as a conditional government grant, to be recognized into income once barriers to entitlement are met. Management 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.

Hawai‘i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

13. Contributed Nonfinancial Assets

In 2022, the Foundation received a contribution of approximately 2,400 acres of land on the island of Hawai‘i. Pursuant to an agreement with the donor, the Foundation shall hold and use the property as a place and values-based living classroom that practices and models collaboration for the benefit of local and global communities. The contribution was valued based on the property’s real property tax assessed value and evaluated against recent comparable sales of similar property on the island of Hawai‘i.

In 2021, the Foundation received contributions of real property aggregating \$1,229,470. No donor restrictions were attached to these contributions. The contributions were valued based on third party appraisals. Pursuant to the Foundation’s general policy of selling contributed real property, these properties were available for sale at December 31, 2021 and sold in 2022.

14. 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, 2022 and 2021 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:

	2022	2021
Total service and administrative fees	\$ 11,607,040	\$ 11,313,945
Less: Fees received from board discretionary, designated, donor advised, and field of interest funds	<u>10,318,694</u>	<u>9,820,333</u>
Service and administrative fees from third parties	<u>\$ 1,288,346</u>	<u>\$ 1,493,612</u>

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

15. Operating Fund

The following table summarizes the activity in the operating fund for the years ended December 31, 2022 and 2021:

	2022	2021
Revenues		
Service and administrative fees	\$ 11,607,040	\$ 11,313,945
Interest and dividends	207,440	140,688
Contributions	731,574	1,612,721
Investment gains (losses) and other income	(1,522,709)	1,873,435
Total revenues	11,023,345	14,940,789
Expenses		
Finance and administration	4,315,083	4,059,885
Program services	3,638,842	3,361,064
Charitable services and donor relations	3,734,605	3,556,788
Total expenses	11,688,530	10,977,737
Change in net assets before transfers from other funds	(665,185)	3,963,052
Transfers from (to) other funds	286,973	(751,185)
Total change in net assets	(378,212)	3,211,867
Net assets		
Beginning of year	12,046,466	8,834,599
End of year	\$ 11,668,254	\$ 12,046,466

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 \$565,829 and \$570,045 for the years ended December 31, 2022 and 2021, respectively.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

17. 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, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds			
Board-designated endowments			
Board discretionary funds	\$ 26,040,111	\$ 6,916,145	\$ 32,956,256
Designated or restricted	185,308,697	-	185,308,697
Donor advised, advisory board and field of interest	318,197,214	-	318,197,214
Donor-restricted endowments			
Unrestricted	-	591,500	591,500
Social programs	-	9,302,846	9,302,846
Subtotal endowment funds	529,546,022	16,810,491	546,356,513
Non-Endowment Funds			
Operating fund	11,668,254	-	11,668,254
Designated, donor advised, advisory board and field of interest	125,208,058	-	125,208,058
Restricted for social programs	-	39,433,530	39,433,530
Pooled income funds	-	27,858	27,858
Gift annuities	-	400,941	400,941
Special projects	-	24,879	24,879
Subtotal non-endowment funds	136,876,312	39,887,208	176,763,520
Total net assets	\$ 666,422,334	\$ 56,697,699	\$ 723,120,033

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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	623,607,781	19,546,416	643,154,197
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	154,056,420	16,162,705	170,219,125
Total net assets	\$ 777,664,201	\$ 35,709,121	\$ 813,373,322

Changes in endowment net assets for the years ending December 31, 2022 and 2021 were as follows:

Endowment Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
January 1, 2021	\$ 561,819,463	\$ 18,124,786	\$ 579,944,249
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	623,607,781	19,546,416	643,154,197
Investment return, net	(105,619,609)	(3,143,462)	(108,763,071)
Contributions	31,331,934	1,210,884	32,542,818
Amounts appropriated for expenditure	(17,740,756)	(803,347)	(18,544,103)
Other changes	(2,033,328)	-	(2,033,328)
December 31, 2022	\$ 529,546,022	\$ 16,810,491	\$ 546,356,513

Hawai‘i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

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, 2022 or 2021.

18. 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 or 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 \$2,770,000 and \$3,065,000 in 2022 and 2021, 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 \$108,000 and \$102,000 in 2022 and 2021, 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.

19. 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 February 21, 2024, the date the financial statements were available to be issued.

Hawai‘i Community Foundation

Notes to Financial Statements

December 31, 2022 (with summarized comparative financial information as of and for the year ended December 31, 2021)

20. 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 \$12,380,000 and \$14,819,000 of additional community grantmaking by these private foundations and organizations for the years ended December 31, 2022 and 2021 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
Supplementary Information
Schedule of Pooled Income Fund Investments
December 31, 2022

	Units	Cost	Fair Value
Fixed income funds			
Federated Total Return Bond Fund	451	\$ 4,986	\$ 4,269
Vanguard Total Bond Market Index	1,808	19,535	17,140
Baird Aggregate Bond Fund	155	1,800	1,488
Total fixed income funds	<u>2,414</u>	<u>26,321</u>	<u>22,897</u>
Money market funds			
Dreyfus Cash Management		358	358
Blackrock Liquidity Fund		4,603	4,603
		<u>\$ 31,282</u>	<u>\$ 27,858</u>

Hawai‘i Community Foundation
Supplementary Information
Schedule of Changes in Pooled Income Fund Investments
Year Ended December 31, 2022

	Cost			
	January 1, 2022	Purchases / Additions	Sales / Maturities	December 31, 2022
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	26,236	1,800	(1,715)	26,321
Money market funds				
Dreyfus Cash Management	417	785	(844)	358
Blackrock Liquidity Fund	4,556	94	(47)	4,603
Total money market funds	4,973	879	(891)	4,961
	<u>\$ 31,209</u>	<u>\$ 2,679</u>	<u>\$ (2,606)</u>	<u>\$ 31,282</u>