

Hawai'i Community Foundation

(A Nonprofit Organization)

Financial Statements

**December 31, 2023 (with comparative totals for the
year ended December 31, 2022)**

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, 2023, 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, 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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 2022 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated February 21, 2024. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 26, 2024, on my consideration of Hawai'i Community Foundation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hawai'i Community Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawai'i Community Foundation's internal control over financial reporting and compliance.



Honolulu, Hawai'i
September 26, 2024

Hawai'i Community Foundation
Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2023
(with comparative totals as of December 31, 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,269,075	\$ 917,098
Investments, at fair value	988,869,819	755,011,854
Property and equipment, net	27,952,688	28,126,189
Other	229,536	234,377
Total assets	<u>\$1,018,321,118</u>	<u>\$ 784,289,518</u>
Liabilities and Net Assets		
Liabilities		
Contract funds held for Tobacco Fund	\$ 57,360,454	\$ 53,876,996
Funds held as agency endowments	8,154,422	6,615,446
Gift annuity liabilities	599,910	673,462
Other	3,653	3,581
Total liabilities	<u>66,118,439</u>	<u>61,169,485</u>
Net assets		
Without donor restrictions	739,602,589	666,422,334
With donor restrictions	212,600,090	56,697,699
Total net assets	<u>952,202,679</u>	<u>723,120,033</u>
Total liabilities and net assets	<u>\$1,018,321,118</u>	<u>\$ 784,289,518</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, 2023
(with comparative totals for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Contributions available for grant making and programs	\$ 33,466,978	\$ 13,739,199	\$ 47,206,177	\$ 33,332,485
Contributions - Maui Strong Fund	-	177,285,252	\$ 177,285,252	-
Contracts and grants – Tobacco Fund	4,017,775	-	4,017,775	3,430,713
Contracts and grants – Other	-	4,779,682	4,779,682	2,152,650
Investment return expendable for grant making and operations	38,543,601	2,629,123	41,172,724	35,606,313
Income from perpetual trusts	3,577,329	805,174	4,382,503	4,131,989
Service and administrative fees	1,298,674	-	1,298,674	1,288,346
Net assets released from restrictions				
Satisfaction of program restrictions	45,549,810	(45,549,810)	-	-
Endowment payout policy appropriations	817,500	(817,500)	-	-
Other	138,207	-	138,207	107,166
Total revenues	<u>127,409,874</u>	<u>152,871,120</u>	<u>280,280,994</u>	<u>80,049,662</u>
Expenses				
Grants and scholarships	65,019,844	-	65,019,844	60,164,561
Grants - Maui Strong Fund	30,619,478	-	30,619,478	-
Grants – Tobacco Fund	3,031,468	-	3,031,468	2,490,558
Program services	8,796,683	-	8,796,683	7,628,774
Finance and administration	4,484,398	-	4,484,398	4,315,083
Charitable services and donor relations	5,863,398	-	5,863,398	3,734,605
Total expenses	<u>117,815,269</u>	<u>-</u>	<u>117,815,269</u>	<u>78,333,581</u>
Change in net assets from operating activities	9,594,605	152,871,120	162,465,725	1,716,081
Nonoperating activities				
Contributions designated for investment of principal -				
Cash and other financial assets	5,872,743	176,855	6,049,598	30,908,826
Nonfinancial assets	-	-	-	26,942,000
Investment return designated for reinvestment	57,704,055	2,696,793	60,400,848	(149,737,376)
Change in value of split-interest agreements	8,852	157,623	166,475	(82,820)
Total nonoperating activities	<u>63,585,650</u>	<u>3,031,271</u>	<u>66,616,921</u>	<u>(91,969,370)</u>
Total change in net assets	73,180,255	155,902,391	229,082,646	(90,253,289)
Net assets				
Beginning of year	666,422,334	56,697,699	723,120,033	813,373,322
End of Year	<u>\$ 739,602,589</u>	<u>\$ 212,600,090</u>	<u>\$ 952,202,679</u>	<u>\$ 723,120,033</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, 2023
(with comparative totals for the year ended December 31, 2022)

	2023				2022
	Program Services	Finance and Administration	Charitable Services and Donor Relations	Total	Total
Grants					
Grants and scholarships	\$ 65,019,844	\$ -	\$ -	\$ 65,019,844	\$ 60,164,561
Grants - Maui Strong Fund	30,619,478	-	-	30,619,478	-
Grants - Tobacco Fund	3,031,468	-	-	3,031,468	2,490,558
Total grants	98,670,790	-	-	98,670,790	62,655,119
Personnel expenses	4,071,197	2,969,980	3,115,342	10,156,519	8,908,384
Professional fees	3,990,474	369,033	409,151	4,768,658	4,630,087
Credit card fees	-	-	1,542,572	1,542,572	-
Occupancy	251,433	334,610	236,309	822,352	660,605
Conferences and meetings	152,807	16,230	184,770	353,807	268,487
Advertising	3,212	27,827	151,935	182,974	86,903
Information technology	(1,523)	463,514	75	462,066	371,108
Travel	49,705	13,936	29,588	93,229	95,516
Office expenses	22,834	64,623	26,001	113,458	110,436
Professional development	90,539	10,718	25,147	126,404	99,628
Printing and publication	6,004	6,163	30,568	42,735	31,092
Depreciation	88,538	111,453	55,752	255,743	127,430
Insurance	25,456	19,563	9,786	54,805	48,657
Other expenses	46,007	76,748	46,402	169,157	240,129
	<u>\$ 107,467,473</u>	<u>\$ 4,484,398</u>	<u>\$ 5,863,398</u>	<u>\$ 117,815,269</u>	<u>\$ 78,333,581</u>

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

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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 2023 and 2022. 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. 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. 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. 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, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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 2020 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.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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:

	2023	2022
Cash	\$ 823,992	\$ 916,436
Investments		
Operating fund	10,092,463	10,062,800
Unrestricted, non-endowed	131,449,031	123,593,378
Unrestricted, designated by board for endowment		
Amounts previously appropriated for expenditure	32,848,643	29,171,494
Appropriated for expenditure in coming year	27,125,601	25,582,652
Other	100,709	96,330
	<u>\$ 202,440,439</u>	<u>\$ 189,423,090</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 and Maui Strong Fund

Contributions for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Contributions to principal	\$ 6,049,598	\$ 57,850,826
Contributions to income - Maui Strong Fund	177,285,252	-
Contributions to income	47,206,177	33,332,485
	<u>\$ 230,541,027</u>	<u>\$ 91,183,311</u>

After the destructive fires that hit Maui in August 2023, the Foundation activated the Maui Strong Fund, to support the immediate and long-term recovery needs for the people and place of Maui.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

The following summarizes the activity in the Maui Strong Fund for the year ended December 31, 2023:

Contributions	\$ 177,285,252
Interest and dividends	1,165,891
Grants	(30,619,478)
Credit card processing fees	(1,525,331)
Transfers from other funds	2,749,585
Funds held at December 31, 2023	<u>\$ 149,055,919</u>

In 2023, twenty nine donors made contributions of \$1 million or more, aggregating approximately \$58 million, of which \$27 million was for the Foundation's Maui Strong Fund. In 2022, thirteen donors made contributions of \$1 million or more, aggregating approximately \$67 million.

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. Grants exclude those awarded but not paid or drawn down.

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.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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, 2023 and 2022.

Fair values of assets measured on a recurring basis are as follows as of December 31, 2023:

December 31, 2023	Fair Value	Level 1	Level 2	Level 3	NAV
Common stock					
Basic materials	\$ 692,946	\$ 692,946	\$ -	\$ -	\$ -
Capital goods	533,030	533,030	-	-	-
Communication services	763,636	763,636	-	-	-
Consumer goods	2,618,936	2,618,936	-	-	-
Energy	783,413	783,413	-	-	-
Financials	2,253,115	1,459,080	794,035	-	-
Health care	1,566,840	1,566,840	-	-	-
Technology	2,536,001	2,536,001	-	-	-
Utilities	203,033	203,033	-	-	-
Other	154,445	154,445	-	-	-
Total common stock	<u>12,105,395</u>				
Mutual and Other Funds					
Large cap	314,228,796	314,228,796	-	-	-
Mid cap	1,372,932	1,372,932	-	-	-
Small cap	12,633,121	12,633,121	-	-	-
Emerging markets	2,006,118	2,006,118	-	-	-
International	140,308,039	140,308,039	-	-	-
Fixed income	133,911,180	133,911,180	-	-	-
Total mutual/other funds	<u>604,460,186</u>				
Money market mutual funds	248,506,609	248,506,609	-	-	-
U.S. Treasury bonds	39,277,705	-	39,277,705	-	-
U.S. Gov't agency securities	13,366,512	-	13,366,512	-	-
Corporate bonds	54,926,762	-	54,926,762	-	-
Municipal bonds	8,719,665	-	8,719,665	-	-
Alternatives (a)	3,323,652	-	-	160,184	3,163,468
Program loans (b)	4,183,333	-	-	4,183,333	-
Total	<u>\$ 988,869,819</u>	<u>\$ 864,278,155</u>	<u>\$ 117,084,679</u>	<u>\$ 4,343,517</u>	<u>\$ 3,163,468</u>

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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>

(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 through 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, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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 \$400,000 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. Credit losses, if any, would be recorded when incurred as a market value adjustment. Management believes this method of recording credit losses does not vary materially from the “expected loss” model of recording credit losses under ASU No. 2016-13, *Financial Instruments – Credit Losses*.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

5. Investments

The Foundation's investments at December 31, 2023 and 2022 were as follows:

	2023	2022
Combined investment funds		
Mutual and other funds	\$ 514,356,057	\$ 440,089,882
Corporate bonds	40,872,759	44,399,569
U.S. Treasury and other government agencies	34,415,976	29,271,960
Money market mutual funds	16,937,607	18,393,736
Municipal bonds	3,439,679	5,414,307
Common stock	-	2,575,654
Mortgage-backed securities	-	949,567
Total combined investment funds	<u>610,022,078</u>	<u>541,094,675</u>
Money market mutual funds	231,569,002	73,402,999
Mutual funds	90,104,129	86,879,897
Common stock	12,105,395	9,121,764
U.S. Treasury and other agency bonds	18,228,241	15,484,131
Corporate bonds	14,054,003	16,154,476
Municipal bonds	5,279,986	5,398,496
Privately managed investment funds	3,323,652	3,275,416
Program loans	4,183,333	4,200,000
	<u>\$ 988,869,819</u>	<u>\$ 755,011,854</u>

6. Property and Equipment

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Equipment	\$ 516,090	\$ 509,399
Software	245,942	245,942
Furniture and fixtures	521,511	467,191
Leasehold improvements	86,447	86,446
Work in progress	32,230	11,000
	<u>1,402,220</u>	<u>1,319,978</u>
Less: Accumulated depreciation and amortization	491,993	236,250
	910,227	1,083,728
Real property, to be used for programs	26,942,000	26,942,000
Artwork	100,461	100,461
	<u>\$ 27,952,688</u>	<u>\$ 28,126,189</u>

Depreciation and amortization expense was \$255,743 and \$127,430 in 2023 and 2022, respectively.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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.

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, 2023, the fair value of the Black Trust's assets, which consists of marketable securities, was approximately \$60,185,000; the Foundation's 70% interest was approximately \$42,129,000. At December 31, 2022, the fair value of the Black Trust's assets was approximately \$54,068,000; the Foundation's 70% interest was approximately \$37,847,000.

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, 2023 and 2022, the fair value of the Prisanlee Trust's assets, which consists of marketable securities, was approximately \$15,526,000 and \$14,100,000 respectively.

The Foundation is an income beneficiary of 20% of the income of the Parker Ranch Foundation Trust. At December 31, 2023, 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 \$232,844,000; the Foundation's 20% interest was approximately \$46,569,000. At December 31, 2022, the audited book value of the Parker Ranch Foundation Trust's net assets was approximately \$235,028,000; the Foundation's 20% interest was approximately \$47,006,000.

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 2023 and 2022, the Foundation made grants to HLF amounting to \$3,075,000 and \$2,243,000, 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, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

Income from perpetual trusts for 2023 and 2022 consisted of the following:

Constituent	Fund	2023	2022
Robert E. Black Memorial Trust	Robert E. Black	\$ 2,100,000	\$ 2,023,000
Parker Ranch Foundation Trust	Richard Smart	805,174	735,102
Prisanlee Trust	Prisanlee	911,360	862,680
Wodehouse Trust	Hawaii Children’s Trust	446,174	381,127
Other	various	119,795	130,080
		<u>\$ 4,382,503</u>	<u>\$ 4,131,989</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, 2023 and 2022, the Foundation held amounts of \$57,360,454 and \$53,876,996, 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, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

9. Charitable Gift Annuities

Assets and liabilities associated with charitable gift annuities at December 31, 2023 and 2022 were:

	2023	2022
Assets	\$ 1,261,325	\$ 874,842
Liabilities	599,910	673,462
Net assets	<u>\$ 661,415</u>	<u>\$ 201,380</u>
Composition of net assets (deficit)		
Without donor restrictions	\$ (190,609)	\$ (199,561)
With donor restrictions	852,024	400,941
	<u>\$ 661,415</u>	<u>\$ 201,380</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 expiring through April 2032. The future minimum rental payments for these leases are as follows:

Years ending	
2024	\$ 455,300
2025	389,900
2026	389,900
2027	389,900
2028	389,900
Thereafter	1,299,600
	<u>\$ 3,314,500</u>

Rental expense for the years ended December 31, 2023 and 2022 was \$692,502 and \$546,646, respectively.

The Foundation sub-leases certain office space to three nonprofit organizations under agreements expiring December 2031. The Foundation's CEO is a member of the boards of directors of these organizations.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

The future minimum rental payments for these sub-leases are as follows:

Years ending	
2024	\$ 40,300
2025	40,300
2026	40,300
2027	40,300
2028	40,300
Thereafter	120,900
	<u>\$ 322,400</u>

Rental income received from these sub-leases amounted to \$137,099 and \$62,284 in 2023 and 2022, 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, 2023 and 2022, agency endowment funds had a combined value of \$8,154,422 and \$6,615,446, respectively.

The following table summarizes the activity in these funds for the years ended December 31, 2023 and 2022:

Funds held as agency endowments, January 1, 2022	\$ 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	<u>6,615,446</u>
Amounts raised	890,636
Investment income	178,605
Net appreciation of investments	901,989
Grants	(353,784)
Other	(78,470)
Funds held as agency endowments, December 31, 2023	<u>\$ 8,154,422</u>

12. 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.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

Service and administrative fees for the years ended December 31, 2023 and 2022 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:

	2023	2022
Total service and administrative fees	\$ 12,237,612	\$ 11,607,040
Less: Fees received from board discretionary, designated, donor advised, and field of interest funds	<u>10,938,938</u>	<u>10,318,694</u>
Service and administrative fees from third parties	<u>\$ 1,298,674</u>	<u>\$ 1,288,346</u>

13. Operating Fund

The following table summarizes the activity in the Foundation's operating fund for the years ended December 31, 2023 and 2022:

	2023	2022
Revenues		
Service and administrative fees	\$ 12,237,612	\$ 11,607,040
Interest and dividends	229,546	207,440
Contributions	342,943	731,574
Investment gains (losses) and other income	<u>762,013</u>	<u>(1,522,709)</u>
Total revenues	13,572,114	11,023,345
Expenses		
Finance and administration	4,484,398	4,315,083
Program services	4,543,528	3,638,842
Charitable services and donor relations	<u>4,320,826</u>	<u>3,734,605</u>
Total expenses	<u>13,348,752</u>	<u>11,688,530</u>
Change in net assets before transfers from other funds	223,362	(665,185)
Transfers from (to) other funds	<u>151,237</u>	<u>286,973</u>
Total change in net assets	374,599	(378,212)
Net assets		
Beginning of year	<u>11,668,254</u>	<u>12,046,466</u>
End of year	<u>\$ 12,042,853</u>	<u>\$ 11,668,254</u>

Hawai‘i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

14. Maui Recovery Efforts Fund

In connection with the Foundation’s support of and involvement in administering the Maui Strong Fund (to cover all costs associated with fund support and administration including processing the receipt of contributions, grantmaking and oversight of the fund), the Foundation received contributions to fund the management and administration of this effort. The Foundation does not receive fees from the Maui Strong Fund. This activity is reflected in the Foundation’s Maui Recovery Efforts Fund and consisted of the following in 2023:

Contributions	\$ 1,804,445
Expenses	<u>(44,343)</u>
Ending fund balance	<u>\$ 1,760,102</u>

15. 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 \$593,914 and \$565,829 for the years ended December 31, 2023 and 2022, respectively.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

16. 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, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds			
Board-designated endowments			
Board discretionary funds	\$ 29,871,243	\$ 7,746,694	\$ 37,617,937
Designated or restricted	207,878,632	-	207,878,632
Donor advised, advisory board and field of interest	356,944,546	-	356,944,546
Donor-restricted endowments			
Unrestricted	-	695,456	695,456
Social programs	-	10,305,910	10,305,910
Subtotal endowment funds	<u>594,694,421</u>	<u>18,748,060</u>	<u>613,442,481</u>
Non-Endowment Funds			
Operating fund	12,042,853	-	12,042,853
Designated, donor advised, advisory board and field of interest	132,865,315	-	132,865,315
Restricted for social programs	-	192,946,517	192,946,517
Pooled income funds	-	28,610	28,610
Gift annuities	-	852,024	852,024
Special projects	-	24,879	24,879
Subtotal non-endowment funds	<u>144,908,168</u>	<u>193,852,030</u>	<u>338,760,198</u>
Total net assets	<u>\$ 739,602,589</u>	<u>\$ 212,600,090</u>	<u>\$ 952,202,679</u>

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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	<u>529,546,022</u>	<u>16,810,491</u>	<u>546,356,513</u>
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	<u>136,876,312</u>	<u>39,887,208</u>	<u>176,763,520</u>
Total net assets	<u>\$ 666,422,334</u>	<u>\$ 56,697,699</u>	<u>\$ 723,120,033</u>

Changes in endowment net assets for the years ending December 31, 2023 and 2022 were as follows:

Endowment Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
January 1, 2022	\$ 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	<u>529,546,022</u>	<u>16,810,491</u>	<u>546,356,513</u>
Investment return, net	77,654,123	2,731,171	80,385,294
Contributions	8,458,960	23,898	8,482,858
Amounts appropriated for expenditure	(19,293,998)	(817,500)	(20,111,498)
Other changes	(1,670,686)	-	(1,670,686)
December 31, 2023	<u>\$ 594,694,421</u>	<u>\$ 18,748,060</u>	<u>\$ 613,442,481</u>

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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, 2023 or 2022.

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 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 \$2,665,000 and \$2,770,000 in 2023 and 2022, respectively. A member of the 2022 board of governors is also the principal of a consulting firm that provided services to the Foundation, amounting to approximately \$108,000 in 2022. 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 September 26, 2024, the date the financial statements were available to be issued.

Hawai'i Community Foundation

Notes to Financial Statements

December 31, 2023 (with summarized comparative financial information as of and for the year ended December 31, 2022)

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 \$14,076,000 and \$12,380,000 of additional community grantmaking by these private foundations and organizations for the years ended December 31, 2023 and 2022 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, 2023

	Units	Cost	Fair Value
Fixed income funds			
Federated Total Return Bond Fund	451	\$ 4,986	\$ 4,318
Vanguard Total Bond Market Index	1,808	19,535	17,556
Baird Aggregate Bond Fund	155	1,800	1,528
Total fixed income funds	2,414	26,321	23,402
Money market funds			
Dreyfus Cash Management		379	379
Blackrock Liquidity Fund		4,829	4,829
		\$ 31,529	\$ 28,610

Hawai'i Community Foundation
Supplementary Information
Schedule of Changes in Pooled Income Fund Investments
Year Ended December 31, 2023

	Cost			
	January 1, 2023	Purchases / Additions	Sales / Maturities	December 31, 2023
Fixed income funds				
Federated Total Return Bond Fund	\$ 4,986	\$ -	\$ -	\$ 4,986
Vanguard Total Bond Market Index	19,535	-	-	19,535
Baird Aggregate Bond Fund	1,800	-	-	1,800
Total fixed income funds	<u>26,321</u>	<u>-</u>	<u>-</u>	<u>26,321</u>
Money market funds				
Dreyfus Cash Management	358	712	(691)	379
Blackrock Liquidity Fund	4,603	278	(52)	4,829
Total money market funds	<u>4,961</u>	<u>990</u>	<u>(743)</u>	<u>5,208</u>
	<u>\$ 31,282</u>	<u>\$ 990</u>	<u>\$ (743)</u>	<u>\$ 31,529</u>