

SOCIETY FOR THE PROTECTION OF  
NEW HAMPSHIRE FORESTS

FINANCIAL REPORT

APRIL 30, 2020

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**NATHAN WECHSLER & COMPANY**  
**PROFESSIONAL ASSOCIATION**  
**CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Society for the Protection of New Hampshire Forests  
Concord, New Hampshire 03301

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Society for the Protection of New Hampshire Forests, which comprise the statements of financial position as of April 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society for the Protection of New Hampshire Forests as of April 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed in Note 17 to the financial statements, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operating results. Our opinion is not modified with respect to this matter.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of the Society for the Protection of New Hampshire Forests' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Society for the Protection of New Hampshire Forests' internal control over financial reporting and compliance.



Concord, New Hampshire  
September 17, 2020

**SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS**

**STATEMENTS OF FINANCIAL POSITION**

**April 30, 2020 and 2019**

		<i>ASSETS</i>	
		2020	2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	7,328,901	\$ 2,826,444
Current portion of contributions receivable		357,281	339,566
Other receivables		63,142	85,904
Grants receivable		25,300	-
Inventories		80,245	110,948
Prepaid expenses		90,796	68,082
<i>Total current assets</i>		7,945,665	3,430,944
<b>PROPERTY AND EQUIPMENT, NET</b>		2,474,613	2,391,920
<b>INVESTMENTS AND OTHER ASSETS</b>			
Investments		14,181,286	16,365,951
Contributions receivable, long-term, net		21,734	13,309
Inventories, long-term		78,024	178,743
		14,281,044	16,558,003
<b>LAND</b>		64,099,066	64,126,507
<i>Total assets</i>	<b>\$</b>	<b>88,800,388</b>	<b>\$ 86,507,374</b>
<b>LIABILITIES AND NET ASSETS</b>			
		2020	2019
<b>CURRENT LIABILITIES</b>			
Line of credit	\$	-	\$ 246,500
Current portion of notes payable		11,250	71,250
Paycheck Protection Program funds		545,600	-
Current portion of annuities payable		41,047	41,414
Accounts payable		47,517	70,522
Accrued liabilities		90,939	107,312
<i>Total current liabilities</i>		736,353	536,998
<b>LONG-TERM LIABILITIES</b>			
Notes payable, less current portion		101,250	292,500
Annuities payable, less current portion, net		161,441	167,243
		262,691	459,743
<i>Total liabilities</i>		999,044	996,741
<b>COMMITMENTS (See Notes)</b>			
<b>NET ASSETS</b>			
Without donor restrictions		5,352,794	3,004,219
Without donor restriction - invested in land, property and equipment		3,654,149	4,471,456
<i>Total net assets without donor restrictions (Note 13)</i>		9,006,943	7,475,675
With donor restrictions		15,874,871	15,987,987
With donor restriction - invested in land		62,919,530	62,046,971
<i>Total net assets with donor restrictions (Note 12)</i>		78,794,401	78,034,958
<i>Total net assets</i>		87,801,344	85,510,633
<i>Total liabilities and net assets</i>	<b>\$</b>	<b>88,800,388</b>	<b>\$ 86,507,374</b>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended April 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and support						
Annual fund	\$ 734,866	\$ -	\$ 734,866	\$ 503,291	\$ -	\$ 503,291
Contributions	99,129	3,851,100	3,950,229	163,024	926,261	1,089,285
Bequests	879,756	-	879,756	490,966	-	490,966
Endowment gifts	-	25,935	25,935	-	107,692	107,692
Grants	1,005,350	116,870	1,122,220	90,325	1,261,202	1,351,527
Contributions of land	-	207,000	207,000	-	487,118	487,118
Contributions for land and land stewardship	-	360,000	360,000	-	-	-
Investment income	151,042	285,601	436,643	154,945	283,836	438,781
Realized and unrealized gains (losses) on investments, net of fees	(358,641)	(937,623)	(1,296,264)	120,793	277,623	398,416
Gain (loss) on sale of land	22,575	-	22,575	(1,919)	-	(1,919)
Gain on disposal of assets	428	-	428	-	-	-
Dues	439,485	-	439,485	469,199	-	469,199
Rental	299,951	-	299,951	309,556	-	309,556
Forest operations	204,370	-	204,370	413,509	-	413,509
Reimbursement for services	76,883	-	76,883	86,442	-	86,442
Sale of materials	419,104	-	419,104	383,858	-	383,858
Donated conservation easements, goods and services	856,500	-	856,500	1,243,224	-	1,243,224
Gain on insurance proceeds for property and equipment from fire (Note 16)	1,855,818	-	1,855,818	1,757	-	1,757
Miscellaneous income	53,580	-	53,580	904	-	904
<i>Total revenue and support</i>	6,740,196	3,908,883	10,649,079	4,429,874	3,343,732	7,773,606
Net assets released from restrictions for satisfaction of purpose restrictions	3,149,440	(3,149,440)	-	3,046,432	(3,046,432)	-
<i>Total revenue, support and net assets released from restriction</i>	9,889,636	759,443	10,649,079	7,476,306	297,300	7,773,606
Program expenses						
Land and easement stewardship	2,125,899	-	2,125,899	2,214,780	-	2,214,780
Land protection	3,582,786	-	3,582,786	3,516,286	-	3,516,286
Education and outreach	509,315	-	509,315	553,358	-	553,358
Membership	271,961	-	271,961	321,455	-	321,455
Policy	202,920	-	202,920	261,243	-	261,243
	6,692,881	-	6,692,881	6,867,122	-	6,867,122
Supporting services and general expenses						
Fundraising	624,110	-	624,110	600,035	-	600,035
Finance and administration	802,603	-	802,603	789,615	-	789,615
	1,426,713	-	1,426,713	1,389,650	-	1,389,650
Non-operating building renovations - Creek Farm	238,774	-	238,774	-	-	-
<i>Total expenses</i>	8,358,368	-	8,358,368	8,256,772	-	8,256,772
<i>Increase (decrease) in net assets</i>	1,531,268	759,443	2,290,711	(780,466)	297,300	(483,166)
Net assets, beginning of year	7,475,675	78,034,958	85,510,633	8,256,141	77,737,658	85,993,799
Net assets, end of year	\$ 9,006,943	\$ 78,794,401	\$ 87,801,344	\$ 7,475,675	\$ 78,034,958	\$ 85,510,633

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF CASH FLOWS

Years Ended April 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 2,290,711	\$ (483,166)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	185,531	202,628
Realized and unrealized (gains) losses on investments	1,296,264	(398,416)
Reinvested income	(401,465)	(412,388)
Contributions of land received	(207,000)	(487,118)
(Gain) loss on sale of land	(22,575)	1,919
Gain on disposal of assets	(428)	-
Gain on insurance proceeds for property and equipment from fire	(1,855,818)	(1,757)
Gifts restricted for endowment and capital cost of land acquisitions	(25,935)	(973,746)
Change in value of charitable gift annuities	(6,169)	19,944
(Increase) decrease in contributions receivable	(26,140)	1,398,104
Decrease in other receivables	22,762	10,926
Increase in grants receivable	(25,300)	-
Increase in prepaid expenses	(22,714)	(33,746)
Decrease in inventories	131,422	181,822
Increase (decrease) in accounts payable	(23,005)	881
Increase (decrease) in accrued liabilities	(16,373)	14,239
<i>Net cash provided by (used in) operating activities</i>	<b>1,293,768</b>	<b>(959,874)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,289,867	960,014
Purchases of investments	-	(229,941)
Proceeds from sale of property and equipment	1,500	-
Proceeds from sale of land	921,575	98,081
Insurance proceeds from fire related to property loss	1,855,818	144,500
Cash paid for land	(665,560)	(863,054)
Cash paid for property and equipment	(269,296)	(69,725)
<i>Net cash provided by investing activities</i>	<b>3,133,904</b>	<b>39,875</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net advance (repayments) on line of credit	(246,500)	246,500
Proceeds from Paycheck Protection Program funds	546,600	-
Repayments on notes payable	(251,250)	(71,250)
Gifts restricted for endowment and capital cost of land acquisitions	25,935	973,746
<i>Net cash provided by financing activities</i>	<b>74,785</b>	<b>1,148,996</b>
<i>Net increase in cash and cash equivalents</i>	<b>4,502,457</b>	<b>228,997</b>
Cash and cash equivalents, beginning of year	<b>2,826,444</b>	<b>2,597,447</b>
<i>Cash and cash equivalents, end of year</i>	<b>\$ 7,328,901</b>	<b>\$ 2,826,444</b>

**SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**Years Ended April 30, 2020 and 2019**

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		2020	2019
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash payments for interest	\$	9,953	\$ 5,050
Cash payments for taxes	\$	384	\$ 9,831



SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2020

	Land and Easement Stewardship	Land Protection	Education and Outreach	Membership	Policy	Fundraising	Finance and Administration	Total
Salaries and wages	\$ 826,854	\$ 184,919	\$ 255,429	\$ 155,085	\$ 112,415	\$ 400,685	\$ 393,818	\$ 2,329,205
Employee benefits	208,865	49,802	66,610	40,015	30,271	107,484	106,354	609,401
<i>Total salaries and related expenses</i>	1,035,719	234,721	322,039	195,100	142,686	508,169	500,172	2,938,606
Program and event expenses	8,767	10,492	4,005	8,401	8,073	2,256	13,775	55,769
Conservation easements	-	2,175,000	-	-	-	-	-	2,175,000
Donated conservation easements	-	856,500	-	-	-	-	-	856,500
Professional services	251,543	123,313	52,964	20,339	46,255	30,368	183,287	708,069
Building and grounds	343,684	6,821	3,711	885	1,702	41,449	12,902	411,154
Land transaction assistance and grants	-	140,295	-	-	-	-	-	140,295
Advertising and printing	21,997	8,481	83,314	26,272	-	6,163	733	146,960
Cost of sales	209,302	-	-	1,364	-	-	-	210,666
Supplies and postage	29,618	4,794	25,014	18,142	72	17,360	28,839	123,839
Travel expenses, conferences and dues	55,366	4,152	6,137	300	2,762	2,193	11,730	82,640
Bank and credit card fees	1,483	38	-	27	-	11,811	99	13,458
Interest	2	9,922	-	-	-	-	29	9,953
Change in present value of annuities	-	-	-	-	-	-	34,878	34,878
Bad debt/pledge write off	9,134	-	-	-	-	-	-	9,134
Miscellaneous	89	-	-	189	-	-	2,254	2,532
Subscriptions and documents	2,100	6,652	2,671	942	179	107	1,959	14,610
<i>Total expenses before depreciation</i>	1,968,804	3,581,181	499,855	271,961	201,729	619,876	790,657	7,934,063
Depreciation	157,095	1,605	9,460	-	1,191	4,234	11,946	185,531
<i>Total expenses</i>	<u>\$ 2,125,899</u>	<u>\$ 3,582,786</u>	<u>\$ 509,315</u>	<u>\$ 271,961</u>	<u>\$ 202,920</u>	<u>\$ 624,110</u>	<u>\$ 802,603</u>	<u>\$ 8,119,594</u>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2019

	Land and Easement Stewardship	Land Protection	Education and Outreach	Membership	Policy	Fundraising	Finance and Administration	Total
Salaries and wages	\$ 783,953	\$ 192,346	\$ 285,738	\$ 157,073	\$ 137,129	\$ 413,063	\$ 415,915	\$ 2,385,217
Employee benefits	201,399	52,785	78,059	37,819	37,411	111,756	120,396	639,625
<i>Total salaries and related expenses</i>	985,352	245,131	363,797	194,892	174,540	524,819	536,311	3,024,842
Program and event expenses	22,115	10,354	4,026	4,641	968	1,756	13,902	57,762
Conservation easements	-	1,699,026	-	-	-	-	-	1,699,026
Donated conservation easements	-	1,243,224	-	-	-	-	-	1,243,224
Professional services	252,469	153,502	51,412	30,043	68,640	9,663	151,759	717,488
Building and grounds	315,954	22,699	20,331	11,210	8,886	31,824	264	411,168
Land transaction assistance and grants	-	125,721	-	-	-	-	-	125,721
Advertising and printing	15,195	205	71,193	51,454	16	3,654	4,288	146,005
Cost of sales	338,744	-	-	1,080	-	-	-	339,824
Supplies and postage	31,813	1,214	23,061	26,524	1,042	18,140	25,327	127,121
Travel expenses (reimbursements), conferences and dues	44,057	4,243	8,162	1,337	5,264	(2,073)	13,829	74,819
Bank and credit card fees	5,916	88	-	24	-	6,996	2,049	15,073
Interest	-	4,933	-	-	-	-	117	5,050
Change in present value of annuities	-	-	-	-	-	-	26,961	26,961
Bad debt/pledge write off	21,825	-	-	-	-	-	-	21,825
Miscellaneous	2,209	-	-	-	-	144	1,995	4,348
Subscriptions and documents	2,901	4,915	2,203	250	1,187	310	2,121	13,887
<i>Total expenses before depreciation</i>	2,038,550	3,515,255	544,185	321,455	260,543	595,233	778,923	8,054,144
Depreciation	176,230	1,031	9,173	-	700	4,802	10,692	202,628
<i>Total expenses</i>	<b>\$ 2,214,780</b>	<b>\$ 3,516,286</b>	<b>\$ 553,358</b>	<b>\$ 321,455</b>	<b>\$ 261,243</b>	<b>\$ 600,035</b>	<b>\$ 789,615</b>	<b>\$ 8,256,772</b>

See Notes to Financial Statements.

# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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### *Note 1. Nature of Activities*

The Society for the Protection of New Hampshire Forests (the "Forest Society") is a nonprofit membership organization founded in 1901 to protect the State's most important landscapes and promote wise use of its renewable natural resources. The Forest Society's major sources of revenue consist of contributions, grants and investment income.

The Forest Society website is <http://www.forestsociety.org>.

### *Note 2. Significant Accounting Policies*

**Basis of accounting:** The financial statements of the Forest Society have been prepared on the accrual basis; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Net assets:** The Forest Society reports information regarding its financial position and activities according to two categories of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of these net asset categories are as follows:

*Net assets without donor restrictions:* Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time the Board of Trustees designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

*Net assets with donor restrictions:* Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions and also includes the accumulated appreciation and depreciation related to donor-restricted endowment funds.

The Forest Society reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Forest Society to expend the income generated by the assets in accordance with the donor restrictions and contributions which require by donor restriction that the full amount be spent on acquiring assets to be held permanently (typically fee interest in land). Net assets with donor restrictions also include holdings of land which the Forest Society acquired by donation or purchase that are intended to be protected indefinitely.

See Note 12 for more information on the composition of net assets with donor restrictions.

# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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**Cash and cash equivalents:** Cash and cash equivalents include all money market accounts and investments purchased with remaining maturities of three months or less.

**Other receivables:** Accounts receivable are recorded primarily for rent and program service fees on any unpaid balances. It is the Forest Society's policy to write off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts was considered necessary at April 30, 2020 and 2019.

**Inventories:** Inventories are valued at net realizable value for mature Christmas trees, at cost for immature Christmas trees, and lower of cost or net realizable value for gift shop items.

Inventory consists of the following:

April 30,	2020	2019
Current:		
Gift shop	\$ 1,162	\$ 1,085
Christmas trees expected to be sold within one year	79,083	109,863
<i>Total current</i>	<u>80,245</u>	<u>110,948</u>
Long-term:		
Christmas trees not expected to be sold within one year	78,024	178,743
<i>Total inventory</i>	<u>\$ 158,269</u>	<u>\$ 289,691</u>

**Investments:** The Forest Society accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments with readily determinable values and all investments in debt securities are stated at their fair value in the statements of financial position. Investments in marketable securities are carried at market value in accordance with generally accepted accounting principles. Unrealized gains and losses are included in the changes of net assets in the accompanying statements of activities and changes in net assets. Investment income is recorded on the accrual basis.

**Land:** Purchased land and donated land are recorded at their fair value upon date of receipt.

The Forest Society holds title to various tracts of land for several different purposes, as follows:

- Permanent land holdings are those tracts which the Forest Society acquired by donation or purchase that are intended to be protected indefinitely. These include the sites of Forest Society's programs or conservation projects and tracts having certain natural features which the Forest Society deems worthy of preservation.
- Land held in trust includes tracts held by the Forest Society until they can be transferred to a recipient (typically a town conservation commission or the State of New Hampshire) specified by the donor.
- Land purchased or acquired by donation, that is intended to be sold on the open market, typically with use restrictions in the new deed.

**SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS**

**NOTES TO FINANCIAL STATEMENTS**

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- Land held for resale includes land that has been purchased or accepted as a gift, at its fair value, with the intent that it be sold to some other party or agency which will use the land in accordance with specific Forest Society’s restrictions written into the deed at the time of transfer or it will be sold with the proceeds to benefit the Forest Society as specified by the donor.

Deed restrictions attached to most land sold severely restrict the use and development of the land in perpetuity. This practice can substantially reduce the fair value of the land. However, in most cases, there is no impairment of the land’s value since deed restrictions are generally attached at the time the land is sold.

Land consists of the following:

April 30,	2020	2019
Permanent land holdings	\$ 62,919,530	\$ 62,046,971
Land held for resale	1,179,536	2,079,536
<i>Total</i>	<u><u>\$ 64,099,066</u></u>	<u><u>\$ 64,126,507</u></u>

**Property and equipment:** Property and equipment are recorded at cost or, in the case of donated assets, at fair value. Repairs and maintenance are expensed as incurred and purchases in excess of \$5,000 or information technology equipment with a life of at least three years are capitalized as additions to property. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Building and land improvements.....	10-40
Equipment and software.....	3-10
Furniture and fixtures.....	7-20
Vehicles.....	5-10

Building and equipment are reviewed for impairment when a significant change in the asset’s use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements for the years ended April 30, 2020 and 2019.

**Contributions:** The Forest Society recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purposes specified by the by the donor in the same year as the contribution is received are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions in the same year. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended April 30, 2020 and 2019.

**Membership dues:** Membership dues collected are recorded as revenues when received.

# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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**Functional allocation of expenses:** The statements of functional expenses present expenses by function and natural classification. Most expenses are assigned to functional area as they are incurred by coding every expense to a cost center. Salaries are assigned to cost centers on staff time sheets that are filled out contemporaneously for each pay period. Benefit costs are assigned proportionally to cost centers each pay period based on salary costs.

All other expenses with the exception of buildings and grounds are assigned to cost centers as each expense is incurred.

Building and grounds expenses are assigned to cost centers as they are incurred, with much of that cost assigned to land and easement stewardship where the cost centers for the Conservation Center in Concord and the buildings at the Rocks are assigned. After the close of the fiscal year building and grounds maintenance costs for the Conservation Center and the buildings at the Rocks are spread between the cost centers that use those buildings.

For the Rocks building and grounds costs are spread to programs based on salary costs. The spread is based on salaries because significant amounts of work are done by seasonal staff, so salary cost is a reasonable stand in for effort devoted to a cost center. For the Conservation Center building and grounds costs are spread to programs based on staff full time equivalents (FTEs) devoted to each cost center. The spread is based on regular staff FTEs because most work in Concord is done by regular staff, so FTEs are a reasonable stand in for effort devoted to each cost center.

**Fundraising and advertising:** Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Forest Society generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair value option:** Generally accepted accounting principles (GAAP) provides a fair value option election that allows organizations to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. GAAP permits the fair value option election on an instrument-by-instrument basis at specified election dates, primarily at the initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Forest Society has elected the fair value option for contributions receivable and annuities payable.

**Income taxes:** The Forest Society is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as described by Section 512(a)(1) of the Code, is subject to federal income tax. The Forest Society pays a nominal amount of tax relating to unrelated business activities, primarily from gift shop and Christmas tree sales, and New Hampshire Business Enterprise Tax imposed by the state on interest, dividends and payroll expense incurred.

# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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The Forest Society has adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the Forest Society's tax positions and concluded the Forest Society had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Forest Society is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2017.

**Contributions receivable:** Unconditional contributions receivable are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Forest Society elected the fair value option in accordance with GAAP. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates. Conditional promises to give are not included in the financial statements.

**Change in accounting principle:** In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard is intended to improve recognition, measurement, presentation, and disclosure of financial instruments. The Forest Society adopted ASU 2016-01 on May 1, 2019. The adoption of ASU 2016-01 did not have a significant impact on the Forest Society's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance for evaluating whether transactions should be accounted for as contributions or exchange transactions and clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Forest Society adopted ASU 2018-08 on May 1, 2019. The adoption of ASU 2018-08 did not have a significant impact on the Forest Society's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cashflows. ASU 2016-18 became effective on a retrospective basis for the Forest Society on May 1, 2019. No prior period adjustments were necessary for the year ended April 30, 2020.

**Recent accounting pronouncements:** In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Forest Society expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective on May 1, 2020. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact this will have on its financial statements.

# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

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In February 2016, the FASB issued, *Leases, Topic 842* (ASU 2016-02), which will be effective for the Forest Society on May 1, 2021, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management is currently evaluating the impact this will have on its financial statements.

### *Note 3. Concentration of Credit Risk*

The Forest Society maintains its cash balances with local banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At April 30, 2020, the Forest Society's uninsured cash balances totaled approximately \$944,000. Cash needed in the short term in excess of the FDIC insured limit is protected with a repurchase agreement between the Forest Society and its bank. Funds in excess of the insured limit are swept daily and held in purchased securities in the Forest Society's name. The Forest Society's balance in the repurchase sweep agreement amounted to approximately \$401,000 at April 30, 2020.

In addition, at April 30, 2020, the Forest Society had a cash balance amounting to approximately \$6,156,000 held through an Insured Cash Sweep Service (ICS) agreement between the Forest Society and its bank. The ICS places Forest Society funds at other FDIC insured banks in amounts that do not exceed the FDIC insured maximum. Through the ICS program, the Forest Society can exclude specific banks to ensure the FDIC insured limit is never exceeded at the destination banks.

### *Note 4. Contributions Receivable*

Contributions receivable consist of the following:

April 30,	2020	2019
Promise to give expected to be collected in:		
Less than one year	\$ 357,281	\$ 339,566
One to five years	-	-
Beyond five years	27,500	35,000
	<u>384,781</u>	<u>374,566</u>
Less discount to net present value	5,766	21,691
<i>Net contributions receivable</i>	<u>\$ 379,015</u>	<u>\$ 352,875</u>

Contributions receivable are reported at fair value, which is estimated as the net present value of expected future cash inflow. A discount rate of 4% was applied to determine present value for the years ended April 30, 2020 and 2019. Contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts was considered necessary at April 30, 2020 and 2019.



SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

*Note 5. Investments*

The following is a summary of investments at cost and related market value as of April 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Domestic equities	\$ 4,791,348	\$ 5,022,971	\$ 4,577,321	\$ 4,891,589
International equities	2,782,436	2,599,358	4,182,811	4,102,444
Fixed income securities	3,907,991	3,983,027	4,229,168	4,256,014
Specialty equity funds	1,042,673	883,404	1,703,340	1,758,831
Short term investments	1,692,526	1,692,526	1,357,073	1,357,073
<i>Total investments</i>	<u>\$ 14,216,974</u>	<u>\$ 14,181,286</u>	<u>\$ 16,049,713</u>	<u>\$ 16,365,951</u>

Investment return is summarized as follows:

April 30,	2020	2019
Interest on temporary cash balances	\$ 35,176	\$ 26,393
Interest and dividend income	401,467	412,388
Net realized and unrealized gains (losses)	(1,271,264)	423,416
<i>Investment return</i>	<u>\$ (834,621)</u>	<u>\$ 862,197</u>

Investment management fees amounted to \$25,000 for both years ended April 30, 2020 and 2019 and have been netted against realized and unrealized gains (losses) on investments in the accompanying statements of activities and changes in net assets.

*Note 6. Property and Equipment*

Property and equipment, at cost, April 30,	2020	2019
Building and land improvements	\$ 5,952,141	\$ 5,778,944
Equipment and software	648,493	562,335
Furniture and fixtures	102,055	102,055
Vehicles	142,298	142,298
<i>Total property and equipment</i>	<u>6,844,987</u>	<u>6,585,632</u>
Less accumulated depreciation	4,370,374	4,193,712
<i>Total property and equipment, net</i>	<u>\$ 2,474,613</u>	<u>\$ 2,391,920</u>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

*Note 7. Fair Value Measurements*

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets. The Forest Society has valued their investments, listed on national exchanges at the last sales price as of the day of valuation.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

Financial assets and liabilities carried at fair value on a recurring basis consisted of the following at April 30, 2020:

	Level 1	Level 2	Level 3
Assets:			
Domestic equity funds	\$ 5,022,971	\$ -	-
Fixed income equity funds	3,983,027	-	-
International equity funds	2,599,358	-	-
Specialty equity funds	883,404	-	-
Cash and short term investments	1,692,526	-	-
Contributions receivable, net	-	-	379,015
<i>Total</i>	<u>\$ 14,181,286</u>	<u>\$ -</u>	<u>\$ 379,015</u>
Liabilities:			
Annuities payable	\$ -	\$ -	<u>202,488</u>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Financial assets and liabilities carried at fair value on a recurring basis consisted of the following at April 30, 2019:

	Level 1	Level 2	Level 3
<b>Assets:</b>			
Domestic equity funds	\$ 4,891,589	\$ -	-
Fixed income equity funds	4,256,014	-	-
International equity funds	4,102,444	-	-
Specialty equity funds	1,758,831	-	-
Cash and short term investments	1,357,073	-	-
Contributions receivable, net	-	-	352,875
<i>Total</i>	<u>\$ 16,365,951</u>	<u>\$ -</u>	<u>\$ 352,875</u>
<b>Liabilities:</b>			
Annuities payable	\$ -	\$ -	208,657

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended April 30, 2020 and 2019:

	Annuities Payable, net	Contributions Receivable, net
Balance, April 30, 2020	\$ 208,657	\$ 352,875
Payments received	-	(27,728)
New contributions	-	43,750
Change to present value	34,878	15,926
Payments to beneficiaries	(41,047)	-
Balance, April 30, 2020	<u>\$ 202,488</u>	<u>\$ 379,015</u>

	Annuities Payable, net	Contributions Receivable, net
Balance, April 30, 2019	\$ 188,713	\$ 1,750,979
Payments received	-	(2,254,323)
New contributions	27,530	866,966
Change to present value	26,961	(10,747)
Payments to beneficiaries	(34,547)	-
Balance, April 30, 2019	<u>\$ 208,657</u>	<u>\$ 352,875</u>

The Forest Society has elected the fair value option for recording long-term contributions receivable and annuities payable. As a result of this election, contributions receivable and annuities payable are reported at fair value initially and in subsequent periods.

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Forest Society's significant financial instruments are cash, notes payable and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

All assets and liabilities have been valued using a market or income approach and have been consistently applied. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

**Note 8. Line of Credit**

The Forest Society has \$1,850,000 available as a revolving line of credit agreement, payable on demand, with a bank. The line of credit has a review date of September 30, 2020. Bank advances on this line of credit bear interest equal to the Wall Street Journal Prime rate which was 3.25% at April 30, 2020. The line of credit is unsecured. The balance on the line of credit at April 30, 2020 and 2019 was \$- and \$246,500, respectively.

**Note 9. Notes Payable**

April 30,	2020	2019
Note payable to a voluntary corporation, dated September 2010, in the original amount of \$213,750 payable in annual installments of \$11,250, no interest, due September 2030. The note is unsecured.	\$ 112,500	\$ 123,750
Note payable to individual, dated April 2013, in the original amount of \$600,000, payable in quarterly installments of \$15,000	-	240,000
	<u>112,500</u>	<u>363,750</u>
Portion payable within one year	<u>11,250</u>	<u>71,250</u>
<i>Long-term debt, less current maturities</i>	<u>\$ 101,250</u>	<u>\$ 292,500</u>

Principal payments on long-term obligations are as follows:

<u>Year Ending April 30,</u>		
2021	\$	11,250
2022		11,250
2023		11,250
2024		11,250
2025		11,250
Thereafter		56,250
<i>Total</i>	<u>\$</u>	<u>112,500</u>

*Note 10. Charitable Gift Annuities*

Amounts due under annuities payable represent gifts received under agreements which guarantee to pay a fixed amount for a specified period of time. Such gifts are recorded as revenue when received and the present value of the future amount payable is credited to a liability account. Annuities are reported at their fair value, which is determined based on the ages of life expectancies of the designated beneficiaries using the IRS life expectancy tables and a discount rate of 6% for the years ended April 30, 2020 and 2019.

*Note 11. Endowment Fund Assets*

The Forest Society's endowment consists of 42 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including those funds designated by the Board of Trustees, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law:* The Forest Society is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 of Trustees appropriates such amounts for expenditures. 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. The Board of Trustees of the Forest Society has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Forest Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Forest Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Forest Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the Forest Society.

*Underwater Endowment Funds:* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Forest Society to retain as a fund of perpetual duration. There were no deficiencies of this nature as of April 30, 2020 and 2019.

**SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS**

**NOTES TO FINANCIAL STATEMENTS**

*Investment Return Objectives, Risk Parameters and Strategies:* The Trustees of the Forest Society have established the following objectives for its invested funds: (a) maintain the purchasing power of the principal on a long term-basis, (b) provide a reasonable stream of income on a total-return basis that will substantially contribute to the funding of the Forest Society’s operations and support a prudent spending policy adopted by the Trustees from time to time, and (c) maintain availability of sufficient cash to fund ongoing operating expenses.

The Forest Society’s overall investment objective is to achieve growth in the value of the assets that is sufficient to preserve the inflation-adjusted purchasing power of the portfolio over a long-term time horizon.

*Spending Policy:* The spending policy calculation for the year ended April 30, 2020 was based on 5.0% of the twenty quarters moving average of the true (permanently restricted) endowment and unrestricted endowment portfolio’s market value adjusted for capital additions and withdrawals which is an effective 5.9% draw on the true (permanently restricted) endowment.

Endowment net asset composition by type of fund as of April 30, 2020 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 10,185,311	\$ 10,185,311
Board designated endowment funds	315,264	-	315,264
Unrestricted invested funds	1,042,124	-	1,042,124
<i>Total</i>	<u>\$ 1,357,388</u>	<u>\$ 10,185,311</u>	<u>\$ 11,542,699</u>

Changes in endowment net assets as of April 30, 2020 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 2,253,748	\$ 11,408,867	\$ 13,662,615
Investment return, net	(215,667)	(652,022)	(867,689)
Appropriation of endowment assets for expenditure	(680,693)	(571,534)	(1,252,227)
Endowment net assets, end of year	<u>1,357,388</u>	<u>10,185,311</u>	<u>11,542,699</u>
Other investments:			
Invested restricted funds	-	2,225,853	2,225,853
Charitable gift annuities	412,734	-	412,734
<i>Total investments</i>	<u>\$ 1,770,122</u>	<u>\$ 12,411,164</u>	<u>\$ 14,181,286</u>

**SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS**

**NOTES TO FINANCIAL STATEMENTS**

Endowment net asset composition by type of fund as of April 30, 2019 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 11,408,867	\$ 11,408,867
Board designated endowment funds	371,428	-	371,428
Unrestricted invested funds	1,882,320	-	1,882,320
<i>Total</i>	<u>\$ 2,253,748</u>	<u>\$ 11,408,867</u>	<u>\$ 13,662,615</u>

Changes in endowment net assets as of April 30, 2019 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 2,288,224	\$ 11,210,597	\$ 13,498,821
Contributions	-	244,324	244,324
Investment return, net	220,788	561,459	782,247
Appropriation of endowment assets for expenditure	(255,264)	(607,513)	(862,777)
Endowment net assets, end of year	<u>2,253,748</u>	<u>11,408,867</u>	<u>13,662,615</u>
Other investments:			
Invested restricted funds	-	2,231,759	2,231,759
Charitable gift annuities	471,577	-	471,577
<i>Total investments</i>	<u>\$ 2,725,325</u>	<u>\$ 13,640,626</u>	<u>\$ 16,365,951</u>

**Note 12. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

April 30,	2020	2019
Subject to expenditure for specified purpose or period:		
Land protection	\$ 3,259,796	\$ 2,967,846
Reservation stewardship	2,266,702	1,304,026
Education	111,405	139,893
Policy	38,338	98,055
Administration	1,600	1,600
Communications outreach	10,144	5,983
Easement stewardship	1,575	1,079
<i>Total subject to expenditure for specified purpose or period</i>	<u>5,689,560</u>	<u>4,518,482</u>

**SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS**

**NOTES TO FINANCIAL STATEMENTS**

Endowments subject to the Forest Society's spending policy and appropriation:

Investments in perpetuity (original amounts of \$9,514,374 in 2020 and \$9,487,349 in 2019), which one appropriated, is expendable to support activities of the Forest Society

	10,185,311	11,469,505
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Not subject to appropriation or expenditure:

Permanent land holdings

	62,919,530	62,046,971
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*Total net assets with donor restrictions*

	\$ 78,794,401	\$ 78,034,958
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***Note 13. Net Assets without Donor Restrictions***

The Forest Society's net assets without donor restrictions is comprised of the following:

April 30,	2020	2019
Undesignated	\$ 3,995,406	\$ 750,471
Undesignated - invested in land, property and equipment	3,654,149	4,471,456
Board designated for endowment	315,264	371,428
Unrestricted invested funds	1,042,124	1,882,320
<i>Total net assets without donor restrictions</i>	\$ 9,006,943	\$ 7,475,675

***Note 14. Liquidity and Availability of Resources***

The following reflects the Forest Society's financial assets as of the balance sheet date, reduced by amounts no available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the board designated funds and unrestricted invested funds that could be drawn upon if the governing board approves that action. However, amounts already appropriated from the donor-restricted endowment, board designated funds and unrestricted invested funds for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

April 30,	2020	2019
Cash	\$ 7,328,901	\$ 2,826,444
Investments	14,181,286	16,365,951
Contributions receivable	379,015	352,875
Grants receivable	25,300	-
Accounts receivable	63,142	85,904
<i>Financial assets, at year-end</i>	21,977,644	19,631,174



# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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Less those unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:

Restricted by donors with purpose restrictions	(3,565,129)	(3,447,693)
Restricted by donors in perpetuity	(9,664,185)	(10,887,742)
Investments held in annuity trust	(412,734)	(471,577)
Board designations	(1,534,195)	(100,428)
Unrestricted invested funds	(767,124)	(1,653,319)

*Financial assets available to meet cash needs for  
general expenditures within one year*

\$ 6,034,277    \$ 3,070,415

The Forest Society is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Forest Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Forest Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Forest Society has board designated funds of \$315,264 and unrestricted investments of \$1,042,124. Although the Forest Society does not intend to spend from these funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriate process, amounts from these funds could be made available if necessary.

### **Note 15. Retirement Plans**

Effective January 1, 1988, the Forest Society established a 403(b) tax sheltered annuity plan covering all qualified employees. Presently, the Forest Society matches the first 4% of a participating employee's base salary. Additional voluntary contributions may be made by the employees. The percentage of the Forest Society's match is determined by the Board of Trustees and has remained unchanged since 1997. For the years ended April 30, 2020 and 2019, the Forest Society's contribution to the plan totaled \$69,496 and \$79,996, respectively.

The Forest Society had an unqualified deferred compensation agreement with a former employee of the Forest Society. The Forest Society owned the assets under this arrangement and cashed out those assets with board approval. The assets are invested in a board restricted fund which is included in the statement of financial position under investments. The contractual liability of the obligation ended in 2018. The Forest Society, at their option, are making the annual distribution of \$21,000.

### **Note 16. Unusual/Infrequent Item - Fire at the Rocks**

For the year ended April 30, 2019, the Forest Society sustained a fire at the Rocks that resulted in substantial damage. The Forest Society lost program buildings, contents in the buildings, and much of the equipment for the Christmas tree farm.

## SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

### NOTES TO FINANCIAL STATEMENTS

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These assets were originally recorded at the value of the property and equipment acquired approximately 40 years ago, and accordingly, have been depreciated over their economic life resulting in an adjusted cost basis of approximately \$142,700 at the time of the fire. The Forest Society had insurance coverage for the buildings and equipment and received \$144,500 in an initial advance related to the fire at the Rocks. The insurance proceeds paid in fiscal year 2019 exceeded the adjusted cost basis, which resulted in a gain of \$1,757 which is included in total revenue and support.

For the year ended April 30, 2020, the Forest Society received insurance proceeds which totaled \$1,855,818. There are additional insurance proceeds totaling \$593,288 representing depreciation holdback for both the building and building contents expected to be received in the future. The depreciation holdback will be paid when construction is complete.

#### *Note 17. COVID-19*

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." This outbreak will affect virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of the COVID-19 on the Forest Society's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Forest Society's employees and vendors, all of which are uncertain and cannot be predicted.

In April 2020, the Forest Society received \$545,600 in funds from the federal Paycheck Protection Program (PPP). The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for the specified period of time and the money is used for payroll, rent, mortgage interest, or utilities. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 2 years. As of April 30, 2020, the Forest Society has recorded the PPP as a current liability on the statements of financial position. The Forest Society expects to meet all conditions for forgiveness early in fiscal year 2021.

#### *Note 18. Subsequent Events*

The Forest Society has evaluated subsequent events through September 17, 2020, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. There were no other subsequent events identified that would require disclosure in the financial statements for the year ended April 30, 2020.



**NATHAN WECHSLER & COMPANY**  
**PROFESSIONAL ASSOCIATION**  
**CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Society for the Protection of New Hampshire Forests  
Concord, New Hampshire 03301

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of financial position, activities and changes in net assets, cash flows and functional expenses of Society for the Protection of New Hampshire Forests as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise Society for the Protection of New Hampshire Forests' basic financial statements, and have issued our report thereon dated September 17, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Society for the Protection of New Hampshire Forests' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Society for the Protection of New Hampshire Forests' internal control. Accordingly, we do not express an opinion on the effectiveness of Society for the Protection of New Hampshire Forests' internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any additional deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## Compliance

As part of obtaining reasonable assurance about whether Society for the Protection of New Hampshire Forests' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Concord, New Hampshire  
September 17, 2020