

SOCIETY FOR THE PROTECTION OF
NEW HAMPSHIRE FORESTS

FINANCIAL REPORT

APRIL 30, 2016

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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

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, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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. 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.

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, 2016 and 2015, and the results of its operations and changes in net assets, cash flows and functional expenses 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 16 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Nathan Wechsler & Company

Concord, New Hampshire
August 3, 2016

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF FINANCIAL POSITION

April 30, 2016 and 2015

		ASSETS	
		2016	2015
CURRENT ASSETS			
Cash and cash equivalents		\$ 2,891,728	\$ 3,274,503
Current portion of contributions receivable		992,200	563,612
Other receivables		5,712	4,962
Grants receivable		-	25,000
Inventories		180,758	145,691
Prepaid expenses		40,342	38,756
	<i>Total current assets</i>	4,110,740	4,052,524
LAND		59,051,533	56,939,375
PROPERTY AND EQUIPMENT, NET		3,031,652	3,245,044
INVESTMENTS AND OTHER ASSETS			
Investments		12,422,309	13,702,217
Contributions receivable, long-term, net		18,126	85,464
Inventories, long-term		288,022	325,292
Other long-term assets		102,647	99,789
		12,831,104	14,212,762
	<i>Total assets</i>	\$ 79,025,029	\$ 78,449,705
LIABILITIES AND NET ASSETS			
		2016	2015
CURRENT LIABILITIES			
Current portion of notes payable		\$ 71,250	\$ 71,250
Current portion of annuities payable		49,588	50,215
Current portion of deferred compensation		21,000	21,000
Accounts payable		109,761	17,323
Accrued liabilities		92,307	77,430
	<i>Total current liabilities</i>	343,906	237,218
LONG-TERM LIABILITIES			
Notes payable, less current portion		506,250	577,500
Annuities payable, less current portion, net		186,209	198,840
Deferred compensation, less current portion		142,506	92,761
		834,965	869,101
	<i>Total liabilities</i>	1,178,871	1,106,319
COMMITMENTS (See Notes)			
NET ASSETS (NOTE 16)			
Unrestricted		2,067,458	2,811,333
Unrestricted - invested in land, property and equipment		5,014,861	5,164,253
	<i>Total unrestricted net assets</i>	7,082,319	7,975,586
Temporarily restricted		5,083,099	6,219,359
Permanently restricted		65,680,740	63,148,441
	<i>Total net assets</i>	77,846,158	77,343,386
	<i>Total liabilities and net assets</i>	\$ 79,025,029	\$ 78,449,705

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended April 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and support								
Annual fund	\$ 410,581	\$ -	\$ -	\$ 410,581	\$ 440,435	\$ -	\$ -	\$ 440,435
Contributions	88,953	2,047,762	-	2,136,715	74,605	1,364,125	-	1,438,730
Bequests	413,921	-	-	413,921	1,583,473	-	-	1,583,473
Endowment gifts	-	-	713,106	713,106	-	-	586,013	586,013
Grants	126,990	4,763	-	131,753	46,558	122,289	-	168,847
Contributions of land	80,000	-	868,604	948,604	-	-	693,791	693,791
Contributions for land and land stewardship	-	-	950,589	950,589	-	-	657,083	657,083
Investment income	91,139	196,176	-	287,315	32,955	145,488	14,889	193,332
Realized and unrealized gains (losses) on investments	(393,154)	(471,734)	-	(864,888)	300,400	130,387	32,261	463,048
Loss on sale of land	-	-	-	-	(17,135)	-	-	(17,135)
Gain on disposal of assets	-	-	-	-	139	-	-	139
Dues	430,430	-	-	430,430	445,965	-	-	445,965
Rental	335,966	-	-	335,966	300,022	-	-	300,022
Forest operations	239,132	-	-	239,132	438,419	-	-	438,419
Reimbursement for services	192,089	-	-	192,089	102,233	-	-	102,233
Sale of materials	372,597	-	-	372,597	363,451	-	-	363,451
Donated conservation easements, goods and services	741,614	-	-	741,614	49,953	-	-	49,953
Insurance claim settlement	31,325	-	-	31,325	-	-	-	-
Miscellaneous income	616	-	-	616	9,355	-	-	9,355
<i>Total revenue and support</i>	3,162,199	1,776,967	2,532,299	7,471,465	4,170,828	1,762,289	1,984,037	7,917,154
Net assets released from restrictions for satisfaction of purpose restrictions	2,913,227	(2,913,227)	-	-	1,478,235	(1,478,235)	-	-
<i>Total revenue, support and net assets released from restriction</i>	6,075,426	(1,136,260)	2,532,299	7,471,465	5,649,063	284,054	1,984,037	7,917,154
Program expenses								
Property management	1,447,515	-	-	1,447,515	1,482,371	-	-	1,482,371
Land protection	2,681,067	-	-	2,681,067	1,503,539	-	-	1,503,539
Education and outreach	581,567	-	-	581,567	470,642	-	-	470,642
Membership	240,580	-	-	240,580	226,961	-	-	226,961
Policy	658,523	-	-	658,523	204,266	-	-	204,266
	5,609,252	-	-	5,609,252	3,887,779	-	-	3,887,779
Supporting services and general expenses								
Fundraising	553,457	-	-	553,457	529,424	-	-	529,424
Finance and administration	805,984	-	-	805,984	670,818	-	-	670,818
	1,359,441	-	-	1,359,441	1,200,242	-	-	1,200,242
<i>Total expenses</i>	6,968,693	-	-	6,968,693	5,088,021	-	-	5,088,021
Transfers and reclassification per donor intent	-	-	-	-	(6,094)	2,708	3,386	-
<i>Increase (decrease) in net assets</i>	(893,267)	(1,136,260)	2,532,299	502,772	554,948	286,762	1,987,423	2,829,133
Net assets, beginning of year, as originally stated	7,975,586	6,219,359	63,148,441	77,343,386	8,474,777	5,840,737	60,198,739	74,514,253
Prior period adjustment (Note 16)	-	-	-	-	(1,054,139)	91,860	962,279	-
Net assets, beginning of year, as restated	7,975,586	6,219,359	63,148,441	77,343,386	7,420,638	5,932,597	61,161,018	74,514,253
Net assets, end of year	\$ 7,082,319	\$ 5,083,099	\$ 65,680,740	\$ 77,846,158	\$ 7,975,586	\$ 6,219,359	\$ 63,148,441	\$ 77,343,386

See Notes to Financial Statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF CASH FLOWS

Years Ended April 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 502,772	\$ 2,829,133
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	265,266	235,901
Realized and unrealized (gains) losses on investments	864,888	(463,048)
Reinvested income	(280,127)	(185,642)
Decrease in restricted cash	-	107,107
Contributions of land received	(948,604)	(693,791)
Loss on sale of land	-	17,135
Gain on disposal of assets	-	(139)
Gifts restricted for endowment and capital cost of land acquisitions	(1,663,695)	(1,243,096)
Change in value of charitable gift annuities	(13,258)	15,748
(Increase) decrease in contributions receivable	(361,250)	181,173
(Increase) decrease in other receivables	(750)	36,913
Decrease in grants receivable	25,000	4,264
Increase in prepaid expenses	(1,586)	(1,211)
Decrease in inventories	2,203	18,252
Decrease (increase) in other long-term assets	(2,858)	3,024
Increase (decrease) in accounts payable	92,438	(448)
Increase (decrease) in deferred compensation	49,745	(17,075)
Increase (decrease) in accrued liabilities	14,877	(10,380)
<i>Net cash provided by (used in) operating activities</i>	<u>(1,454,939)</u>	<u>833,820</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,412,300	1,151,312
Purchases of investments	(717,153)	(1,934,966)
Proceeds from sale of land	-	7,941
Cash paid for land	(1,163,554)	(323,278)
Cash paid for property and equipment	(51,874)	(223,780)
<i>Net cash used in investing activities</i>	<u>(520,281)</u>	<u>(1,322,771)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	(71,250)	(346,250)
Gifts restricted for endowment and capital cost of land acquisitions	1,663,695	1,243,096
<i>Net cash provided by financing activities</i>	<u>1,592,445</u>	<u>896,846</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>(382,775)</u>	<u>407,895</u>
Cash and cash equivalents, beginning of year	<u>3,274,503</u>	<u>2,866,608</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 2,891,728</u>	<u>\$ 3,274,503</u>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended April 30, 2016 and 2015

	2016	2015
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for income taxes	\$ 1,210	\$ -

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2016

	Property Management	Land Protection	Education and Outreach	Membership	Policy	Fundraising	Finance and Administration	Total
Salaries and wages	\$ 484,974	\$ 441,388	\$ 252,023	\$ 129,196	\$ 141,112	\$ 344,847	\$ 408,988	\$ 2,202,528
Employee benefits	110,131	114,148	65,434	34,333	38,785	91,056	120,750	574,637
<i>Total salaries and related expenses</i>	595,105	555,536	317,457	163,529	179,897	435,903	529,738	2,777,165
Program and event expenses	9,196	11,903	8,305	5,099	2,035	3,078	12,724	52,340
Conservation easements	-	808,000	-	-	-	-	-	808,000
Donated conservation easements	-	733,800	-	-	-	-	-	733,800
Donated goods and services	1,385	-	216	6,213	-	-	-	7,814
Professional services	148,248	274,625	48,108	10,554	452,675	19,280	100,000	1,053,490
Building and grounds	276,292	35,035	22,718	10,536	16,251	19,191	10,854	390,877
Land transaction assistance and grants	-	227,710	-	-	-	-	-	227,710
Advertising and printing	21,041	1,210	77,356	26,082	1,118	31,902	-	158,709
Cost of sales	148,757	-	-	1,349	-	-	-	150,106
Supplies and postage	18,765	4,082	46,417	16,290	1,672	27,767	20,575	135,568
Travel, conferences and dues	36,057	19,731	10,803	126	4,353	4,763	21,281	97,114
Bank fees	4,717	250	-	33	-	7,655	154	12,809
Change in present value of annuities	-	-	-	-	-	-	36,329	36,329
Change in present value of deferred compensation	-	-	-	-	-	-	46,886	46,886
Miscellaneous	51	50	-	294	-	-	885	1,280
Subscriptions and documents	2,086	5,381	2,961	475	140	306	2,081	13,430
<i>Total expenses before depreciation</i>	1,261,700	2,677,313	534,341	240,580	658,141	549,845	781,507	6,703,427
Depreciation	185,815	3,754	47,226	-	382	3,612	24,477	265,266
<i>Total expenses</i>	<u>\$ 1,447,515</u>	<u>\$ 2,681,067</u>	<u>\$ 581,567</u>	<u>\$ 240,580</u>	<u>\$ 658,523</u>	<u>\$ 553,457</u>	<u>\$ 805,984</u>	<u>\$ 6,968,693</u>

See Notes to Financial Statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2015

	Property Management	Land Protection	Education and Outreach	Membership	Policy	Fundraising	Finance and Administration	Total
Salaries and wages	\$ 488,631	\$ 405,203	\$ 233,344	\$ 126,194	\$ 102,362	\$ 319,273	\$ 365,010	\$ 2,040,017
Employee benefits	116,208	106,074	62,227	33,777	27,573	86,017	79,776	511,652
<i>Total salaries and related expenses</i>	604,839	511,277	295,571	159,971	129,935	405,290	444,786	2,551,669
Program and event expenses	15,286	6,618	9,026	4,486	2,400	3,565	10,981	52,362
Conservation easements	-	511,000	-	-	-	-	-	511,000
Donated conservation easements	-	49,000	-	-	-	-	-	49,000
Donated goods and services	589	-	-	150	-	214	-	953
Professional services	154,865	274,022	26,126	13,319	53,859	24,392	102,176	648,759
Building and grounds	281,017	29,596	22,675	9,631	8,996	19,206	6,831	377,952
Land transaction assistance and grants	-	72,513	-	-	-	-	-	72,513
Advertising and printing	15,305	1,448	39,597	19,291	584	29,603	-	105,828
Cost of sales	168,166	-	-	3,747	-	-	-	171,913
Supplies and postage	6,667	4,115	28,143	14,683	1,406	35,679	22,228	112,921
Travel, conferences and dues	36,393	15,115	6,284	154	4,660	1,677	18,479	82,762
Bank fees	4,036	140	-	794	-	6,495	332	11,797
Change in present value of annuities	-	-	-	-	-	-	37,846	37,846
Bad debt/pledge write-off	1,688	18,887	27,645	-	-	171	13	48,404
Miscellaneous	5	434	-	274	-	-	1,879	2,592
Subscriptions and documents	1,165	5,507	2,817	461	2,047	-	1,852	13,849
<i>Total expenses before depreciation</i>	1,290,021	1,499,672	457,884	226,961	203,887	526,292	647,403	4,852,120
Depreciation	192,350	3,867	12,758	-	379	3,132	23,415	235,901
<i>Total expenses</i>	\$ 1,482,371	\$ 1,503,539	\$ 470,642	\$ 226,961	\$ 204,266	\$ 529,424	\$ 670,818	\$ 5,088,021

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

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.

Basis of presentation: The Forest Society accounts for contributions received in accordance with the FASB Accounting Standards Codification topic for revenue recognition (FASB ASC 958-605) and contributions made in accordance with FASB ASC 958-720-25 and FASB ASC 958-310. In accordance with FASB ASC 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. In addition, FASB ASC 958-310 requires that unconditional promises to give (pledges) be recorded as receivables and recognized as revenues.

The Forest Society adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205). Under FASB ASC 958-205, the Forest Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

Unrestricted net assets include both undesignated and designated net assets, which are the revenues not restricted by outside sources and revenues designated by the Board of Trustees for special purposes and their related expenses.

Temporarily restricted net assets include contributions and gifts for which donor-imposed restrictions will be met either by the passage of time or the actions of the Forest Society and also includes the accumulated appreciation related to permanently restricted endowment gifts, which is a requirement of FASB ASC 958-205-45.

Permanently restricted net assets include contributions which require, by donor restriction, that the corpus be invested in perpetuity (and in certain circumstances, a portion of the earnings from those gifts) and only the income or a portion thereof be made available for program operations in accordance with donor restrictions and contributions which require by donor restriction that the full amount be spent on acquiring permanently restricted assets (typically fee interest in land). Permanently restricted net assets also includes holdings of land which the Forest Society acquired by donation or purchase that are intended to be protected indefinitely.

(continued on next page)

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

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 charge 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 is considered necessary at April 30, 2016 and 2015.

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

Inventory consists of the following:

April 30,	2016	2015
Current:		
Gift shop	\$ 17,598	\$ 19,956
Christmas trees expected to be sold within one year	163,160	125,735
<i>Total current</i>	<u>180,758</u>	<u>145,691</u>
Long-term:		
Christmas tress not expected to be sold within one year	288,022	325,292
<i>Total inventory</i>	<u>\$ 468,780</u>	<u>\$ 470,983</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 statement 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 statement 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 at date of receipt.

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

- Permanent 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) 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.

(continued on next page)

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

- 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 the State of New Hampshire or 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.

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,	2016	2015
Permanent land holdings	\$ 57,068,324	\$ 55,020,166
Land held for resale	1,978,209	1,898,209
Deposits on land	5,000	21,000
<i>Total</i>	<u>\$ 59,051,533</u>	<u>\$ 56,939,375</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 \$1,000 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, 2016 and 2015.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of non-cash assets are recognized as in-kind contribution income at their fair value when received and are depreciated over the expected useful life of the asset if capitalized.

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

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The allocation of expenditures is made on the basis of specific identification and estimates of time spend and benefits derived.

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.

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 2013.

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.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO 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, 2016, the Forest Society’s uninsured cash balances totaled approximately \$481,000. 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 \$475,000 at April 30, 2016.

In addition, at April 30, 2016, the Forest Society had a cash balance amounting to approximately \$2,190,000 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 insure the FDIC insured limit is never exceeded at the destination banks.

Note 4. Contributions Receivable

Contributions receivable consist of the following:

April 30,	2016	2015
Promise to give expected to be collected in:		
Less than one year	\$ 992,200	\$ 563,612
One to five years	19,650	94,250
Beyond five years	5,000	8,000
	<u>1,016,850</u>	<u>665,862</u>
Less discount to net present value	6,524	16,786
<i>Net contributions receivable</i>	<u>\$ 1,010,326</u>	<u>\$ 649,076</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, 2016 and 2015. Contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary at April 30, 2016 and 2015.

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:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Domestic equities	\$ 3,830,123	\$ 4,644,022	\$ 4,113,385	\$ 5,329,021
International equities	2,686,787	2,870,895	2,412,903	2,977,684
Fixed income securities	3,717,993	3,648,634	3,741,377	3,735,635
Hedge funds	787,853	773,910	779,509	803,444
Commodities	-	-	237,184	203,671
Real estate	227,658	286,622	228,741	296,879
Short term investments	198,174	198,226	361,351	355,883
<i>Total investments</i>	<u>\$ 11,448,588</u>	<u>\$ 12,422,309</u>	<u>\$ 11,874,450</u>	<u>\$ 13,702,217</u>

Investment return is summarized as follows:

April 30,	2016	2015
Interest on temporary cash balances	\$ 7,188	\$ 7,690
Interest and dividend income	341,916	248,389
Net realized and unrealized gains (losses)	(864,888)	463,048
<i>Total investment return</i>	<u>\$ (515,784)</u>	<u>\$ 719,127</u>

Investment management fees amounted to \$61,789 and \$62,747 for the years ended April 30, 2016 and 2015, respectively, and have been netted against investment income in the accompanying statement of activities and changes in net assets.

Note 6. Property and Equipment

Property and equipment, at cost, April 30,	2016	2015
Building and land improvements	\$ 5,991,406	\$ 5,974,096
Equipment and software	656,979	624,364
Furniture and fixtures	209,479	209,479
Vehicles	142,298	169,749
<i>Total property and equipment</i>	<u>7,000,162</u>	<u>6,977,688</u>
Less accumulated depreciation	3,968,510	3,732,644
<i>Total property and equipment, net</i>	<u>\$ 3,031,652</u>	<u>\$ 3,245,044</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 consist of the following:

	2016		
	Level 1	Level 2	Level 3
Assets:			
Equities:			
Consumer discretionary	\$ 719,920	\$ -	-
Consumer staples	318,172	-	-
Energy	185,246	-	-
Financials	475,348	-	-
Health care	612,020	-	-
Industrials	458,787	-	-
Information technology	843,549	-	-
Materials	155,102	-	-
Telecommunication services	11,671	-	-
Utilities	17,767	-	-
Equity Funds	3,717,335	-	-
Fixed income securities	-	3,648,634	-
Hedge funds	773,910	-	-

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Real estate	286,622	-	-
Cash and short term investments	198,226	-	-
Contributions receivable, net	-	-	1,010,326
<i>Total</i>	<u>\$ 8,773,675</u>	<u>\$ 3,648,634</u>	<u>\$ 1,010,326</u>

Liabilities:

Annuities payable	\$ -	\$ -	\$ 235,797
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2015

	Level 1	Level 2	Level 3
Assets:			
Equities:			
Consumer discretionary	\$ 668,393	\$ -	\$ -
Consumer staples	294,299	-	-
Energy	372,432	-	-
Financials	660,560	-	-
Health care	609,704	-	-
Industrials	564,582	-	-
Information technology	901,669	-	-
Materials	234,293	-	-
Telecommunication services	44,526	-	-
Utilities	17,712	-	-
Equity Funds	3,938,536	-	-
Fixed income securities	-	3,735,635	-
Hedge funds	803,443	-	-
Commodities	203,671	-	-
Real estate	296,879	-	-
Cash and short term investments	355,883	-	-
Contributions receivable, net	-	-	649,076
<i>Total</i>	<u>\$ 9,966,582</u>	<u>\$ 3,735,635</u>	<u>\$ 649,076</u>

Liabilities:

Annuities payable	\$ -	\$ -	\$ 249,055
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Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended April 30, 2016 and 2015:

	Annuities Payable, net	Contributions Receivable, net
Balance, April 30, 2014	\$ 233,307	\$ 830,249
Payments received	28,117	(753,628)
New contributions receivable	-	580,543
Change to present value	37,846	(8,088)
Payments to beneficiaries	(50,215)	-

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NOTES TO FINANCIAL STATEMENTS

Balance, April 30, 2015	249,055	649,076
Payments received	-	(543,526)
New contributions receivable	-	909,700
Contribution receivable write-offs	-	(15,186)
Change to present value	36,329	10,262
Payments to beneficiaries	(49,587)	-
Balance, April 30, 2016	<u>\$ 235,797</u>	<u>\$ 1,010,326</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.

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 available a \$1,500,000 revolving line of credit agreement with a bank. The line of credit expires on October 31, 2016, unless extended. Bank advances on this line of credit bear interest equal to the Wall Street Journal Prime rate which was 3.50% at April 30, 2016. The line of credit is unsecured. The Forest Society had no outstanding balance on the line of credit at April 30, 2016 and 2015.

Note 9. Notes Payable

April 30,	2016	2015
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.	\$ 157,500	\$ 168,750

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Note payable to individual, dated April 2013, in the original amount of \$600,000, payable in quarterly installments of \$15,000, no interest, due April 2023. The note is unsecured.

	420,000	480,000
	577,500	648,750
Portion payable within one year	71,250	71,250
<i>Long-term debt, less current maturities</i>	<u>\$ 506,250</u>	<u>\$ 577,500</u>

Principal payments on long-term obligations are as follows:

<u>Year Ending April 30,</u>		
2017	\$	71,250
2018		71,250
2019		71,250
2020		71,250
2021		71,250
Thereafter		221,250
<i>Total</i>	<u>\$</u>	<u>577,500</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 its 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% and 8% for the years ended April 30, 2016 and 2015, respectively.

Note 11. Endowment Fund Assets

The Forest Society adheres to the Other Presentation Matters section of the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205-45). FASB ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Forest Society's endowment consists of 37 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.

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

The Board of Trustees of the Forest Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Forest Society to appropriate for expenditure or accumulate so much of an endowment fund as the Forest Society determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, the Forest Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Forest Society, and (7) the investment policies of the Forest Society.

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. In accordance with GAAP, deficiencies of this nature amounting to \$110,944 and \$297 for the years ended April 30, 2016 and 2015, respectively, are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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 the following returns on its Invested Funds: (a) on the equity portion of the portfolio, a total return, net of fees, equal to or greater than the MSCI (Morgan Stanley Capital International) All Country World Index over a three-year period while minimizing losses during down periods, and (b) on the fixed income portion of the portfolio, a total return, net of fees, equal to or greater than the Barclays Capital U.S. Aggregate Bond Index over a three-year period. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Spending Policy: The spending policy for the years ended April 30, 2016 and 2015 was 7.0% on the twenty quarters moving average and 4.0% on the twelve quarters moving average, respectively, of the endowment portfolio's market value adjusted for capital additions and withdrawals. The spending policy will remain at 7.0% of the twenty quarters moving average of the endowment portfolio's market value for the year ending April 30, 2017, however it is expected to be reduced in subsequent years.

Endowment net asset composition by type of fund as of April 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor -restricted endowment funds	\$ (110,944)	\$ 1,257,757	\$ 7,360,682	\$ 8,507,495
Board designated endowment funds	1,151,833	-	-	1,151,833
<i>Total</i>	<u>\$ 1,040,889</u>	<u>\$ 1,257,757</u>	<u>\$ 7,360,682</u>	<u>\$ 9,659,328</u>

Changes in endowment net assets as of April 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,765,437	\$ 2,259,529	\$ 7,025,118	\$ 11,050,084
Contributions	-	-	335,548	335,548
Adjustments	(28,702)	1,298	16	(27,388)
Investment return:				
Investment income	71,797	196,176	-	267,973
Net depreciation (realized and unrealized)	(246,589)	(582,381)	-	(828,970)
<i>Total investment return</i>	(174,792)	(386,205)	-	(560,997)
Transfer to cover deficiencies	(110,647)	110,647	-	-
Appropriation of endowment assets for expenditure	(410,407)	(727,512)	-	(1,137,919)
Endowment net assets, end of year	<u>1,040,889</u>	<u>1,257,757</u>	<u>7,360,682</u>	<u>9,659,328</u>
Other investments:				
Invested restricted funds	-	844,194	1,367,615	2,211,809
Charitable gift annuities	551,172	-	-	551,172
<i>Total investments</i>	<u>\$ 1,592,061</u>	<u>\$ 2,101,951</u>	<u>\$ 8,728,297</u>	<u>\$ 12,422,309</u>

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Endowment net asset composition by type of fund as of April 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor -restricted endowment funds	\$ (297)	\$ 2,259,529	\$ 7,025,118	\$ 9,284,350
Board designated endowment funds	1,765,734	-	-	1,765,734
<i>Total</i>	\$ 1,765,437	\$ 2,259,529	\$ 7,025,118	\$ 11,050,084

Changes in endowment net assets as of April 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,194,761	\$ 2,138,911	\$ 6,315,305	\$ 10,648,977
Contributions	447,000	-	709,813	1,156,813
Investment return:				
Investment income	19,468	128,150	-	147,618
Net appreciation (realized and unrealized)	60,892	314,163	-	375,055
<i>Total investment return</i>	80,360	442,313	-	522,673
Recovery of funds with deficiencies	515	(515)	-	-
Appropriation of endowment assets for expenditure	(957,199)	(321,180)	-	(1,278,379)
Endowment net assets, end of year	1,765,437	2,259,529	7,025,118	11,050,084
Other investments:				
Invested temporarily restricted funds	-	1,082,410	1,014,493	2,096,903
Charitable gift annuities	555,230	-	-	555,230
<i>Total investments</i>	\$ 2,320,667	\$ 3,341,939	\$ 8,039,611	\$ 13,702,217

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Note 12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

April 30,	2016	2015
Portion of perpetual endowment funds subject to time restriction under UPMIFA	\$ 1,257,757	\$ 2,259,529
Land protection	2,381,353	2,472,401
Reservation stewardship	1,193,872	1,117,520
Education	196,159	192,254
Policy	41,688	118,671
Other	5,031	36,600
Easement stewardship	7,239	22,384
<i>Total</i>	<u>\$ 5,083,099</u>	<u>\$ 6,219,359</u>

Note 13. Permanently Restricted Net Assets

Permanently restricted net assets of \$8,612,416 and \$8,128,275 at April 30, 2016 and 2015, respectively, are restricted to invested endowment principal maintained in perpetuity of which income earned is expendable to support operations and contributions which require by donor restriction that the full amount be spent on acquiring permanently restricted assets (fee interest in land). The remaining balances of \$57,068,324 and \$55,020,166 at April 30, 2016 and 2015, respectively, consist of land that is held for conservation and is permanently restricted.

Note 14. Retirement Plans

Effective January 1, 1988, the Forest Society established a 403(b) tax sheltered annuity plan covering all qualified employees. At the present time, 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, 2016 and 2015, the Forest Society's contribution to the plan totaled \$69,133 and \$63,637, respectively.

In addition, the Forest Society has an unqualified deferred compensation agreement with a former employee of the Forest Society. The Forest Society owns the assets under this arrangement. The assets can be available to the Forest Society to pay benefits. These assets are included in the statement of financial position as other long-term assets and deferred compensation in the amount of \$102,647 and \$163,506, respectively. The required annual distribution is \$21,000 per year. As of April 30, 2016, the estimated number of remaining payments is nine.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Note 15. Reclassifications

Certain reclassifications have been made to the April 30, 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 16. Prior Period Adjustment

During the year ended April 30, 2016, it was determined that in prior years some assets were not correctly classified. The total net assets have not changed, just the classification has been corrected. Contributions of permanently restricted land for holding had been previously reported as unrestricted net assets. The effect of this correction increases permanently restricted net assets by \$962,279 with a corresponding decrease in unrestricted net assets as of April 30, 2014. In the second correction, temporarily restricted net assets have been increased by \$91,860 with a corresponding decrease in unrestricted net assets as of April 30, 2014 to properly reflect temporarily restricted net assets. A third correction adjusts April 30, 2015 unrestricted net assets for benefits expenses that should have been included in the FY2015 financial statements, but were not properly adjusted from clearing accounts. This correction results in a decrease in the changes in unrestricted net assets by \$11,982 with a corresponding increase in total liabilities for the year ended April 30, 2015.

Note 17. Subsequent Events

The Forest Society has evaluated subsequent events through August 3, 2016, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. There were no subsequent events that would require disclosure in the financial statements for the year ended April 30, 2016.