

SOCIETY FOR THE PROTECTION OF  
NEW HAMPSHIRE FORESTS

FINANCIAL REPORT

APRIL 30, 2017

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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, 2017 and 2016, 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, 2017 and 2016, 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.

*Nathan Wechsler & Company*

Concord, New Hampshire  
August 3, 2017

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF FINANCIAL POSITION

April 30, 2017 and 2016

	<i>ASSETS</i>	
	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,522,418	\$ 2,891,728
Current portion of contributions receivable	2,065,317	992,200
Other receivables	2,631	5,712
Inventories	208,890	180,758
Prepaid expenses	59,025	40,342
<i>Total current assets</i>	5,858,281	4,110,740
<b>LAND</b>	61,985,653	59,051,533
<b>PROPERTY AND EQUIPMENT, NET</b>	2,811,150	3,031,652
<b>INVESTMENTS AND OTHER ASSETS</b>		
Investments	12,900,201	12,422,309
Contributions receivable, long-term, net	16,437	18,126
Inventories, long-term	276,043	288,022
Other long-term asset	105,437	102,647
<i>Total assets</i>	\$ 83,953,202	\$ 79,025,029
	<b><i>LIABILITIES AND NET ASSETS</i></b>	
	2017	2016
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 71,250	\$ 71,250
Current portion of annuities payable	35,639	49,588
Current portion of deferred compensation	21,000	21,000
Accounts payable	33,811	109,761
Accrued liabilities	96,363	92,307
<i>Total current liabilities</i>	258,063	343,906
<b>LONG-TERM LIABILITIES</b>		
Notes payable, less current portion	435,000	506,250
Annuities payable, less current portion, net	167,089	186,209
Deferred compensation, less current portion	126,414	142,506
<i>Total liabilities</i>	728,503	834,965
	986,566	1,178,871
<b>COMMITMENTS (See Notes)</b>		
<b>NET ASSETS</b>		
Unrestricted	2,245,502	2,067,458
Unrestricted - invested in land, property and equipment	4,938,359	5,014,861
<i>Total unrestricted net assets</i>	7,183,861	7,082,319
Temporarily restricted	6,472,983	5,083,099
Permanently restricted	69,309,792	65,680,740
<i>Total net assets</i>	82,966,636	77,846,158
<i>Total liabilities and net assets</i>	\$ 83,953,202	\$ 79,025,029

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended April 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and support								
Annual fund	\$ 632,830	\$ -	\$ -	\$ 632,830	\$ 410,581	\$ -	\$ -	\$ 410,581
Contributions	108,669	1,966,498	-	2,075,167	88,953	2,047,762	-	2,136,715
Bequests	570,575	-	-	570,575	413,921	-	-	413,921
Endowment gifts	-	-	1,105,017	1,105,017	-	-	713,106	713,106
Grants	144,311	-	-	144,311	126,990	4,763	-	131,753
Contributions of land	149,000	-	551,635	700,635	80,000	-	868,604	948,604
Contributions for land and land stewardship	-	-	1,972,365	1,972,365	-	-	950,589	950,589
Investment income	90,638	188,665	35	279,338	110,571	238,533	-	349,104
Realized and unrealized gains (losses) on investments	436,773	686,270	-	1,123,043	(412,586)	(514,091)	-	(926,677)
Loss on disposal of assets	(599)	-	-	(599)	-	-	-	-
Dues	444,478	-	-	444,478	430,430	-	-	430,430
Rental	328,452	-	-	328,452	335,966	-	-	335,966
Forest operations	371,880	-	-	371,880	239,132	-	-	239,132
Reimbursement for services	122,811	-	-	122,811	192,089	-	-	192,089
Sale of materials	366,676	-	-	366,676	372,597	-	-	372,597
Donated conservation easements, goods and services	177,076	-	-	177,076	741,614	-	-	741,614
Insurance claim settlement	-	-	-	-	31,325	-	-	31,325
Lease release settlement	292,125	-	-	292,125	-	-	-	-
Miscellaneous income	397	-	-	397	616	-	-	616
<i>Total revenue and support</i>	<u>4,236,092</u>	<u>2,841,433</u>	<u>3,629,052</u>	<u>10,706,577</u>	<u>3,162,199</u>	<u>1,776,967</u>	<u>2,532,299</u>	<u>7,471,465</u>
Net assets released from restrictions for satisfaction of purpose restrictions	1,451,549	(1,451,549)	-	-	2,913,227	(2,913,227)	-	-
<i>Total revenue, support and net assets released from restriction</i>	<u>5,687,641</u>	<u>1,389,884</u>	<u>3,629,052</u>	<u>10,706,577</u>	<u>6,075,426</u>	<u>(1,136,260)</u>	<u>2,532,299</u>	<u>7,471,465</u>
Program expenses								
Land and easement stewardship	1,867,026	-	-	1,867,026	1,951,459	-	-	1,951,459
Land protection	830,373	-	-	830,373	2,248,124	-	-	2,248,124
Education and outreach	535,008	-	-	535,008	510,563	-	-	510,563
Membership	279,100	-	-	279,100	269,249	-	-	269,249
Policy	807,721	-	-	807,721	658,523	-	-	658,523
	<u>4,319,228</u>	<u>-</u>	<u>-</u>	<u>4,319,228</u>	<u>5,637,918</u>	<u>-</u>	<u>-</u>	<u>5,637,918</u>
Supporting services and general expenses								
Fundraising	530,851	-	-	530,851	524,788	-	-	524,788
Finance and administration	736,020	-	-	736,020	805,987	-	-	805,987
	<u>1,266,871</u>	<u>-</u>	<u>-</u>	<u>1,266,871</u>	<u>1,330,775</u>	<u>-</u>	<u>-</u>	<u>1,330,775</u>
<i>Total expenses</i>	<u>5,586,099</u>	<u>-</u>	<u>-</u>	<u>5,586,099</u>	<u>6,968,693</u>	<u>-</u>	<u>-</u>	<u>6,968,693</u>
<i>Increase (decrease) in net assets</i>	<u>101,542</u>	<u>1,389,884</u>	<u>3,629,052</u>	<u>5,120,478</u>	<u>(893,267)</u>	<u>(1,136,260)</u>	<u>2,532,299</u>	<u>502,772</u>
Net assets, beginning 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
Net assets, end of year	<u>\$ 7,183,861</u>	<u>\$ 6,472,983</u>	<u>\$ 69,309,792</u>	<u>\$ 82,966,636</u>	<u>\$ 7,082,319</u>	<u>\$ 5,083,099</u>	<u>\$ 65,680,740</u>	<u>\$ 77,846,158</u>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF CASH FLOWS  
Years Ended April 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,120,478	\$ 502,772
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	260,770	265,266
Realized and unrealized (gains) losses on investments	(1,123,043)	926,677
Reinvested income	(271,554)	(341,916)
Contributions of land received	(700,635)	(948,604)
Loss on disposal of assets	599	-
Gifts restricted for endowment and capital cost of land acquisitions	(3,077,382)	(1,663,695)
Change in value of charitable gift annuities	(33,069)	(13,258)
Increase in contributions receivable	(1,071,428)	(361,250)
(Increase) decrease in other receivables	3,081	(750)
Decrease in grants receivable	-	25,000
Increase in prepaid expenses	(18,683)	(1,586)
(Increase) decrease in inventories	(16,153)	2,203
Decrease in other long-term asset	(2,790)	(2,858)
Increase (decrease) in accounts payable	(75,950)	92,438
Increase (decrease) in deferred compensation	(16,092)	49,745
Increase in accrued liabilities	4,056	14,877
<i>Net cash used in operating activities</i>	<u>(1,017,795)</u>	<u>(1,454,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,300,123	1,412,300
Purchases of investments	(383,418)	(717,153)
Cash paid for land	(2,233,485)	(1,163,554)
Cash paid for property and equipment	(40,867)	(51,874)
<i>Net cash used in investing activities</i>	<u>(1,357,647)</u>	<u>(520,281)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on notes payable	(71,250)	(71,250)
Gifts restricted for endowment and capital cost of land acquisitions	3,077,382	1,663,695
<i>Net cash provided by financing activities</i>	<u>3,006,132</u>	<u>1,592,445</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	630,690	(382,775)
Cash and cash equivalents, beginning of year	<u>2,891,728</u>	<u>3,274,503</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 3,522,418</u>	<u>\$ 2,891,728</u>

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended April 30, 2017 and 2016

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	2017	2016
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for income taxes	\$ 13,023	\$ 1,210



SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2017

	Land and Easement Stewardship	Land Protection	Education and Outreach	Membership	Policy	Fundraising	Finance and Administration	Total
Salaries and wages	\$ 697,335	\$ 225,724	\$ 267,313	\$ 150,684	\$ 143,472	\$ 338,000	\$ 416,227	\$ 2,238,755
Employee benefits	170,675	60,828	71,162	40,239	38,702	90,959	106,721	579,286
<i>Total salaries and related expenses</i>	868,010	286,552	338,475	190,923	182,174	428,959	522,948	2,818,041
Program and event expenses	14,795	16,613	3,672	3,093	947	2,890	13,637	55,647
Conservation easements	-	5,000	-	-	-	-	-	5,000
Donated conservation easements	-	177,000	-	-	-	-	-	177,000
Donated goods and services	-	-	-	-	-	76	-	76
Professional services	279,934	143,479	47,310	25,072	604,437	9,127	107,035	1,216,394
Building and grounds	269,986	13,435	20,402	9,431	15,901	17,526	8,512	355,193
Land transaction assistance and grants	-	173,458	-	-	-	-	-	173,458
Advertising and printing	19,345	419	46,737	28,319	-	22,658	-	117,478
Cost of sales	147,793	-	-	3,934	-	-	-	151,727
Supplies and postage	25,486	2,179	19,900	17,365	523	36,535	28,415	130,403
Travel, conferences and dues	50,405	4,008	9,342	84	2,919	2,838	19,549	89,145
Bank fees	4,651	-	-	-	-	6,444	60	11,155
Interest	20	1,225	-	-	9	-	18	1,272
Change in present value of annuities	-	-	-	-	-	-	27,383	27,383
Change in present value of deferred compensation	-	-	-	-	-	-	(18,882)	(18,882)
Miscellaneous	-	-	-	404	-	-	946	1,350
Subscriptions and documents	3,872	4,552	2,289	475	202	75	2,024	13,489
<i>Total expenses before depreciation</i>	1,684,297	827,920	488,127	279,100	807,112	527,128	711,645	5,325,329
Depreciation	182,729	2,453	46,881	-	609	3,723	24,375	260,770
<i>Total expenses</i>	<u>\$ 1,867,026</u>	<u>\$ 830,373</u>	<u>\$ 535,008</u>	<u>\$ 279,100</u>	<u>\$ 807,721</u>	<u>\$ 530,851</u>	<u>\$ 736,020</u>	<u>\$ 5,586,099</u>

See Notes to Financial Statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2016

	Land and Easement Stewardship	Land Protection	Education and Outreach	Membership	Policy	Fundraising	Finance and Administration	Total
Salaries and wages	\$ 744,632	\$ 226,285	\$ 207,468	\$ 138,491	\$ 141,112	\$ 335,552	\$ 408,988	\$ 2,202,528
Employee benefits	173,833	60,867	55,013	36,834	38,785	88,555	120,750	574,637
<i>Total salaries and related expenses</i>	918,465	287,152	262,481	175,325	179,897	424,107	529,738	2,777,165
Program and event expenses	16,374	10,955	2,075	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	1,451	-	150	6,213	-	-	-	7,814
Professional services	271,377	151,752	47,852	20,584	452,675	9,250	100,000	1,053,490
Building and grounds	302,956	14,446	16,643	10,536	16,251	19,191	10,854	390,877
Land transaction assistance and grants	-	227,710	-	-	-	-	-	227,710
Advertising and printing	21,329	1,021	77,257	29,125	1,118	28,859	-	158,709
Cost of sales	148,757	-	-	1,349	-	-	-	150,106
Supplies and postage	21,886	1,310	46,068	20,090	1,672	23,967	20,575	135,568
Travel, conferences and dues	53,678	5,046	7,867	126	4,353	4,763	21,281	97,114
Bank fees	4,747	220	-	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	96	-	-	294	-	-	890	1,280
Subscriptions and documents	2,963	4,506	2,961	475	140	306	2,079	13,430
<i>Total expenses before depreciation</i>	1,764,079	2,245,918	463,354	269,249	658,141	521,176	781,510	6,703,427
Depreciation	187,380	2,206	47,209	-	382	3,612	24,477	265,266
<i>Total expenses</i>	<b>\$ 1,951,459</b>	<b>\$ 2,248,124</b>	<b>\$ 510,563</b>	<b>\$ 269,249</b>	<b>\$ 658,523</b>	<b>\$ 524,788</b>	<b>\$ 805,987</b>	<b>\$ 6,968,693</b>

# 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.

**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 include 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

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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, 2017 and 2016.

**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,	2017	2016
Current:		
Gift shop	\$ 33,966	\$ 17,598
Christmas trees expected to be sold within one year	174,924	163,160
<i>Total current</i>	<u>208,890</u>	<u>180,758</u>
Long-term:		
Christmas tress not expected to be sold within one year	276,043	288,022
<i>Total inventory</i>	<u>\$ 484,933</u>	<u>\$ 468,780</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) 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.

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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,	2017	2016
Permanent land holdings	\$ 59,858,444	\$ 57,068,324
Land held for resale	2,127,209	1,978,209
Deposits on land	-	5,000
<i>Total</i>	<u>\$ 61,985,653</u>	<u>\$ 59,051,533</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, 2017 and 2016.

**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 statements 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.

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# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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

**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 spent 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 2014.

**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

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### *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, 2017, the Forest Society's uninsured cash balances totaled approximately \$546,000. 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 \$535,000 at April 30, 2017.

In addition, at April 30, 2017, the Forest Society had a cash balance amounting to approximately \$2,812,000 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,	2017	2016
Promise to give expected to be collected in:		
Less than one year	\$ 2,065,317	\$ 992,200
One to five years	16,500	19,650
Beyond five years	5,000	5,000
	<u>2,086,817</u>	<u>1,016,850</u>
Less discount to net present value	5,063	6,524
<i>Net contributions receivable</i>	<u>\$ 2,081,754</u>	<u>\$ 1,010,326</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, 2017 and 2016. Contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts was considered necessary at April 30, 2017 and 2016.

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:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Domestic equities	\$ 3,406,676	\$ 4,663,511	\$ 3,830,123	\$ 4,644,022
International equities	3,383,131	3,962,600	2,686,787	2,870,895
Fixed income securities	2,564,365	2,544,273	3,717,993	3,648,634
Hedge funds	475,643	505,447	787,853	773,910
Commodities	721,359	730,125	-	-
Real estate	227,658	288,047	227,658	286,622
Short term investments	206,095	206,198	198,174	198,226
<i>Total investments</i>	<b>\$ 10,984,927</b>	<b>\$ 12,900,201</b>	<b>\$ 11,448,588</b>	<b>\$ 12,422,309</b>

Investment return is summarized as follows:

April 30,	2017	2016
Interest on temporary cash balances	\$ 8,004	\$ 7,188
Interest and dividend income	271,334	341,916
Net realized and unrealized gains (losses)	1,180,605	(864,888)
<i>Investment return</i>	<b>\$ 1,459,943</b>	<b>\$ (515,784)</b>

Investment management fees amounted to \$57,562 and \$61,789 for the years ended April 30, 2017 and 2016, respectively, 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,	2017	2016
Building and land improvements	\$ 5,991,406	\$ 5,991,406
Equipment and software	563,756	656,979
Furniture and fixtures	209,479	209,479
Vehicles	142,298	142,298
<i>Total property and equipment</i>	6,906,939	7,000,162
Less accumulated depreciation	4,095,789	3,968,510
<i>Total property and equipment, net</i>	<b>\$ 2,811,150</b>	<b>\$ 3,031,652</b>



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, 2017:

	Level 1	Level 2	Level 3
Assets:			
Equities:			
Consumer discretionary	\$ 615,286	\$ -	-
Consumer staples	294,592	-	-
Energy	199,791	-	-
Financials	525,776	-	-
Health care	603,089	-	-
Industrials	561,171	-	-
Information technology	942,391	-	-
Materials	182,978	-	-
Real estate	70,019	-	-
Telecommunication services	7,720	-	-
Utilities	17,066	-	-
Equity Funds	4,606,232	-	-
Fixed income securities	-	2,544,273	-

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

	Level 1	Level 2	Level 3
Assets continued:			
Hedge funds	505,447	-	-
Commodities	730,125	-	-
Real estate	288,047	-	-
Cash and short term investments	206,198	-	-
Contributions receivable, net	-	-	2,081,754
<i>Total</i>	<u>\$ 10,355,928</u>	<u>\$ 2,544,273</u>	<u>\$ 2,081,754</u>
Liabilities:			
Annuities payable	\$ -	\$ -	\$ 202,728

Financial assets and liabilities carried at fair value on a recurring basis consisted of the following at April 30, 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	-	-
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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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended April 30, 2017 and 2016:

	Annuities Payable, net	Contributions Receivable, net
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	235,797	1,010,326
Payments received	-	(1,404,900)
New contributions receivable	34,642	2,484,867
Contribution receivable write-offs	-	(10,000)
Change to present value	27,383	1,461
Annuity balance gifted upon annuitant's death	(56,808)	-
Payments to beneficiaries	(38,286)	-
Balance, April 30, 2017	<u>\$ 202,728</u>	<u>\$ 2,081,754</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 \$1,500,000 available as a revolving line of credit agreement, payable on demand, with a bank. The line of credit has a review date of October 31, 2017. Bank advances on this line of credit bear interest equal to the Wall Street Journal Prime rate which was 4% at April 30, 2017. The line of credit is unsecured. The Forest Society had no outstanding balance on the line of credit at April 30, 2017 and 2016.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

**Note 9. Notes Payable**

April 30,	2017	2016
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.	\$ 146,250	\$ 157,500
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.	360,000	420,000
	<u>506,250</u>	<u>577,500</u>
Portion payable within one year	71,250	71,250
<i>Long-term debt, less current maturities</i>	<u>\$ 435,000</u>	<u>\$ 506,250</u>

Principal payments on long-term obligations are as follows:

<u>Year Ending April 30,</u>		
2018	\$	71,250
2019		71,250
2020		71,250
2021		71,250
2022		71,250
Thereafter		150,000
<i>Total</i>	<u>\$</u>	<u>506,250</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, 2017 and 2016.

**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.

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# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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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 39 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.

The Board of Trustees of the Forest Society has interpreted the 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 permanently restricted net assets as (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 as 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 amounted to \$14,120 and \$110,944 for the years ended April 30, 2017 and 2016, 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,

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SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

NOTES TO FINANCIAL STATEMENTS

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.

*Spending Policy:* The spending policy for the years ended April 30, 2017 and 2016 was 7.0% on the twenty quarters moving average of the true (permanently restricted) endowment and Board designated (unrestricted) endowment portfolio's market value adjusted for capital additions and withdrawals. The spending policy for the year ending April 30, 2018 is 7.0% on the twenty quarters moving average of the true (permanently restricted) endowment portfolio's market value adjusted for capital additions and withdrawals.

Endowment net asset composition by type of fund as of April 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (14,120)	\$ 1,685,925	\$ 7,610,091	\$ 9,281,896
Board designated endowment funds	978,971	-	-	978,971
<i>Total</i>	\$ 964,851	\$ 1,685,925	\$ 7,610,091	\$ 10,260,867

Changes in endowment net assets as of April 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,040,889	\$ 1,257,757	\$ 7,360,682	\$ 9,659,328
Contributions	-	-	249,374	249,374
Adjustments	(296)	79	-	(217)
Investment return:				
Investment income	72,980	188,665	35	261,680
Net appreciation (realized and unrealized)	298,243	783,094	-	1,081,337
<i>Total investment return</i>	371,223	971,759	35	1,343,017
Recovery of funds with deficiencies	96,824	(96,824)	-	-
Appropriation of endowment assets for expenditure	(543,789)	(446,846)	-	(990,635)
Endowment net assets, end of year	964,851	1,685,925	7,610,091	10,260,867
Other investments:				
Invested restricted funds	-	781,975	1,464,273	2,246,248
Charitable gift annuities	393,086	-	-	393,086
<i>Total investments</i>	\$ 1,357,937	\$ 2,467,900	\$ 9,074,364	\$ 12,900,201

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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, 2016 are 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	1,040,889	1,257,757	7,360,682	9,659,328
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>

# SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

## NOTES TO FINANCIAL STATEMENTS

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### *Note 12. Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes:

April 30,	2017	2016
Portion of perpetual endowment funds subject to time restriction under UPMIFA	\$ 1,685,925	\$ 1,257,757
Land protection	3,248,237	2,381,353
Reservation stewardship	1,161,741	1,193,872
Education	198,594	196,159
Policy	136,629	41,688
Other	41,257	5,031
Easement stewardship	600	7,239
<i>Total</i>	<u>\$ 6,472,983</u>	<u>\$ 5,083,099</u>

### *Note 13. Permanently Restricted Net Assets*

Permanently restricted net assets of \$9,451,348 and \$8,612,416 at April 30, 2017 and 2016, respectively, include 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 \$59,858,444 and \$57,068,324 at April 30, 2017 and 2016, respectively, consist of land that is held for conservation and are 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. 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, 2017 and 2016, the Forest Society's contribution to the plan totaled \$72,633 and \$69,133, 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. At April 30, 2017, these assets are included in the statement of financial position as other long-term assets and deferred compensation in the amount of \$105,437 and \$147,414, respectively. The required annual distribution is \$21,000 per year. As of April 30, 2017, the estimated number of remaining payments is eight.

### *Note 15. Reclassifications*

Certain reclassifications have been made to the April 30, 2016 financial statements presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.



## SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

### NOTES TO FINANCIAL STATEMENTS

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#### *Note 16. Subsequent Events*

The Forest Society has evaluated subsequent events through August 3, 2017, 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, 2017.