

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

FINANCIAL STATEMENTS

APRIL 30, 2009

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HESSION & PAE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

62 Stark Street, Manchester, New Hampshire 03101
603-669-5477 FAX 603-669-0197

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Society for the Protection of New Hampshire Forests as of April 30, 2009 and 2008, and the related statements of activities, cash flows, and functional expenses, for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Hession & Pae PC

Manchester, New Hampshire
July 17, 2009

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF FINANCIAL POSITION

As of April 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|---------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 2) | \$ 1,841,862 | \$ 1,680,071 |
| Restricted cash (Note 14) | 118,012 | - |
| Receivables | | |
| Pledges receivable, current portion (Note 3) | 128,489 | 965,475 |
| Other receivables | 49,005 | 33,802 |
| Grant receivable (Note 4) | 721,400 | 1,025,000 |
| Inventories (Note 1) | 81,416 | 54,834 |
| Prepaid expenses | 34,236 | 75,415 |
| | <hr/> | <hr/> |
| Total current assets | 2,974,420 | 3,834,597 |
| | <hr/> | <hr/> |
| Investments (Notes 1 and 5) | 10,006,590 | 16,199,548 |
| Pledges receivable (less current maturities) (Note 3) | 4,907 | 36,567 |
| Land (Note 1) | 53,814,560 | 46,893,452 |
| Less allowance for restrictions | (1,190,039) | (1,190,039) |
| | <hr/> | <hr/> |
| Land, net | 52,624,521 | 45,703,413 |
| | <hr/> | <hr/> |
| Property and equipment (Note 1) | | |
| Buildings and land improvements | 5,542,397 | 5,378,400 |
| Equipment | 927,912 | 897,325 |
| | <hr/> | <hr/> |
| | 6,470,309 | 6,275,725 |
| Less accumulated depreciation | (2,836,333) | (2,612,729) |
| | <hr/> | <hr/> |
| Property and equipment, net | 3,633,976 | 3,662,996 |
| | <hr/> | <hr/> |
| Other assets | | |
| Inventories (Note 1) | 537,033 | 535,744 |
| Other long-term assets | 234,199 | 234,199 |
| | <hr/> | <hr/> |
| Total other assets | 771,232 | 769,943 |
| | <hr/> | <hr/> |
| Total assets | \$ 70,015,646 | \$ 70,207,064 |
| | <hr/> | <hr/> |

See notes to financial statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF ACTIVITIES

Year Ended April 30, 2009

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|---------------------------|---------------------------|---------------|
| Support and revenues | | | | |
| Annual fund | \$ 419,109 | \$ - | \$ - | \$ 419,109 |
| Contributions | 98,732 | 3,467,151 | - | 3,565,883 |
| Bequests | 31,787 | - | - | 31,787 |
| Endowment gifts | - | 77,172 | 49,655 | 126,827 |
| Grants | 190,183 | 623,620 | - | 813,803 |
| Contributions of land | - | - | 3,131,970 | 3,131,970 |
| Investment income | 180,776 | 31,122 | 136,003 | 347,901 |
| Realized gain on investments | (1,249,073) | (177,056) | (773,971) | (2,200,100) |
| Unrealized (loss) on investments | (1,819,654) | (257,936) | (1,127,526) | (3,205,116) |
| Gain on sale of land | 24,764 | - | - | 24,764 |
| Dues | 370,316 | - | - | 370,316 |
| Rental | 236,017 | - | - | 236,017 |
| Forest operations | 243,880 | - | - | 243,880 |
| Reimbursement for services | 154,466 | - | - | 154,466 |
| Sale of materials | 322,648 | - | - | 322,648 |
| Satisfaction of restrictions: payments | 1,897,618 | (5,562,076) | 3,664,458 | - |
| Total public support | 1,101,569 | (1,798,003) | 5,080,589 | 4,384,155 |
| Functional expenses | | | | |
| Property management | 1,307,988 | - | - | 1,307,988 |
| Land protection | 1,134,062 | - | - | 1,134,062 |
| Education | 394,155 | - | - | 394,155 |
| Research | 164,585 | - | - | 164,585 |
| Membership | 283,335 | - | - | 283,335 |
| Policy | 231,581 | - | - | 231,581 |
| Total | 3,515,706 | - | - | 3,515,706 |
| Fundraising | 319,297 | - | - | 319,297 |
| Finance and administration | 766,058 | - | - | 766,058 |
| Total | 1,085,355 | - | - | 1,085,355 |
| Total functional expenses | 4,601,061 | - | - | 4,601,061 |
| Increase (decrease) in net assets | (3,499,492) | (1,798,003) | 5,080,589 | (216,906) |
| Net assets, beginning of year | 12,933,490 | 2,556,050 | 54,252,451 | 69,741,991 |
| Transfer upon adoption of UPMIFA (Note 13) | - | 2,730,560 | (2,730,560) | - |
| Net assets, end of year | \$ 9,433,998 | \$ 3,488,607 | \$ 56,602,480 | \$ 69,525,085 |

See notes to financial statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF ACTIVITIES

Year Ended April 30, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------|---------------------------|---------------------------|---------------|
| Support and revenues | | | | |
| Annual fund | \$ 512,019 | \$ - | \$ - | \$ 512,019 |
| Contributions | 124,997 | 143,677 | 3,159,684 | 3,428,358 |
| Bequests | 338,944 | - | - | 338,944 |
| Endowment gifts | - | 30,908 | 119,935 | 150,843 |
| Grants | 142,903 | 116,938 | - | 259,841 |
| Contributions of land | 120,730 | - | 1,035,607 | 1,156,337 |
| Investment income | 816,928 | 55,385 | 304,206 | 1,176,519 |
| Realized gain on investments | (28,791) | 311,297 | 517,049 | 799,555 |
| Unrealized gain on investments | (223,715) | (276,672) | (573,649) | (1,074,036) |
| Loss on sale of land | (29,034) | - | - | (29,034) |
| Gain on disposal of assets | 1,500 | - | - | 1,500 |
| Dues | 413,056 | - | - | 413,056 |
| Rental | 224,851 | - | - | 224,851 |
| Forest operations | 355,596 | - | - | 355,596 |
| Reimbursement for services | 192,852 | - | - | 192,852 |
| Sale of materials | 318,281 | - | - | 318,281 |
| Satisfaction of restrictions: payments | 823,469 | (632,912) | (190,557) | - |
| Total public support | 4,104,586 | (251,379) | 4,372,275 | 8,225,482 |
| Functional expenses | | | | |
| Property management | 1,213,150 | - | - | 1,213,150 |
| Land protection | 1,183,622 | - | - | 1,183,622 |
| Education | 85,577 | - | - | 85,577 |
| Research | 172,411 | - | - | 172,411 |
| Communications | 270,639 | - | - | 270,639 |
| Membership | 283,897 | - | - | 283,897 |
| Policy | 168,434 | - | - | 168,434 |
| Total | 3,377,730 | - | - | 3,377,730 |
| Fundraising | 402,657 | - | - | 402,657 |
| Finance and administration | 659,742 | - | - | 659,742 |
| Total | 1,062,399 | - | - | 1,062,399 |
| Total functional expenses | 4,440,129 | - | - | 4,440,129 |
| Increase (decrease) in net assets | (335,543) | (251,379) | 4,372,275 | 3,785,353 |
| Net assets, beginning of year | 13,646,769 | 2,807,429 | 49,502,440 | 65,956,638 |
| Transfer to conform to donor intent (Note 11) | (377,736) | - | 377,736 | - |
| Adjusted assets, beginning of year | 13,269,033 | 2,807,429 | 49,880,176 | 65,956,638 |
| Net assets, end of year | \$ 12,933,490 | \$ 2,556,050 | \$ 54,252,451 | \$ 69,741,991 |

See notes to financial statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENTS OF CASH FLOWS

Years Ended April 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| (Decrease) increase in net assets | \$ (216,906) | \$ 3,785,353 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 217,879 | 196,066 |
| Net realized (gain) loss on investment transactions | 2,200,100 | (799,555) |
| Net unrealized loss on investments | 3,205,116 | 1,074,036 |
| Increase in present value of annuities | 36,199 | 35,139 |
| Contributions of land received | (3,131,970) | (1,156,337) |
| (Gain) loss on sale of land | (24,764) | 29,034 |
| Gain on disposal of assets | - | (1,500) |
| (Increase) in restricted cash | (118,012) | - |
| (Increase) decrease in pledges receivable | 868,646 | (877,243) |
| (Increase) decrease in receivables | (15,203) | 14,496 |
| (Increase) decrease in grant receivable | 303,600 | (1,025,000) |
| (Increase) decrease in prepaid expenses | 41,746 | (19,550) |
| (Increase) in inventories | (27,870) | (78,781) |
| Increase (decrease) in accounts payable | (284) | 24,598 |
| Increase in accrued liabilities | <u>25,471</u> | <u>11,608</u> |
| Net cash provided by operating activities | <u>3,363,748</u> | <u>1,212,364</u> |
| Cash flows from investing activities | | |
| Net cash flows from investment activities | 787,742 | 20,335 |
| Cash paid for land | (3,880,374) | (2,140,279) |
| Cash paid for property and equipment | (188,859) | (334,851) |
| Cash proceeds from sale of land | 116,000 | 466,300 |
| Cash proceeds from sale of fixed assets | <u>-</u> | <u>2,500</u> |
| Net cash (used) by investing activities | <u>(3,165,491)</u> | <u>(1,985,995)</u> |
| Cash flows from financing activities | | |
| Net cash paid on annuities | (36,466) | (45,057) |
| Net cash paid on note payable | <u>-</u> | <u>(50,000)</u> |
| Net cash (used) by financing activities | <u>(36,466)</u> | <u>(95,057)</u> |
| Increase (decrease) in cash and cash equivalents | <u>161,791</u> | <u>(868,688)</u> |
| Cash and cash equivalents, beginning of year | <u>1,680,071</u> | <u>2,548,759</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,841,862</u> | <u>\$ 1,680,071</u> |
| Supplemental disclosure of cash flow information | | |
| Income taxes paid in cash | <u>\$ 10,901</u> | <u>\$ 8,513</u> |

See notes to financial statements.

SOCIETY FOR THE PROTECTION OF NEW HAMPSHIRE FORESTS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2009
(With comparative totals for 2008)

| | Property Management | Land Protection | Education and Outreach | Research | Membership | Policy | Fundraising | Finance and Administration | 2009 | 2008 |
|--------------------------------------|---------------------|-----------------|------------------------|------------|------------|------------|-------------|----------------------------|--------------|--------------|
| Expenses | | | | | | | | | | |
| Salaries | \$ 436,342 | \$ 571,670 | \$ 184,742 | \$ 109,061 | \$ 112,912 | \$ 85,097 | \$ 170,985 | \$ 395,259 | \$ 2,066,068 | \$ 2,000,820 |
| Employee benefits | 111,584 | 163,641 | 53,145 | 31,213 | 32,420 | 24,557 | 49,002 | 81,433 | 546,995 | 539,170 |
| Salaries and related expenses | 547,926 | 735,311 | 237,887 | 140,274 | 145,332 | 109,654 | 219,987 | 476,692 | 2,613,063 | 2,539,990 |
| Professional services | 73,835 | 302,580 | 50,371 | 2,018 | 30,614 | 108,827 | 14,823 | 105,206 | 688,274 | 636,131 |
| Buildings and grounds | 235,569 | 29,635 | 9,572 | 5,881 | 7,424 | 4,476 | 7,869 | 38,541 | 338,967 | 274,834 |
| Cost of sales | 182,086 | - | - | - | 18,727 | - | - | - | 200,813 | 179,068 |
| Advertising and printing | 9,278 | 3,069 | 54,589 | 902 | 39,260 | 832 | 7,499 | - | 115,429 | 97,811 |
| Supplies and postage | 10,777 | 9,422 | 24,662 | 9,404 | 21,519 | 1,636 | 16,782 | 21,149 | 115,351 | 122,287 |
| Program/event expenses | 57,167 | 13,948 | 5,085 | 143 | 14,893 | 1,117 | 2,840 | 12,812 | 108,005 | 157,096 |
| Travel, conferences and dues | 35,200 | 29,690 | 5,681 | 1,501 | 749 | 3,175 | 2,136 | 13,576 | 91,708 | 114,427 |
| Miscellaneous | - | - | - | - | 1,011 | - | - | 40,894 | 41,905 | 5,333 |
| Change in present value of annuities | - | - | - | - | - | - | - | 36,199 | 36,199 | 7,217 |
| Investment and bank fees | 1,840 | 9 | 41 | 82 | 2,398 | 50 | 8,935 | 1,124 | 14,479 | 15,080 |
| Subscriptions and documents | 1,959 | 4,047 | 5,043 | - | 642 | 366 | 175 | 1,756 | 13,988 | 23,969 |
| Contract and grant expense | - | - | - | - | - | - | - | 5,000 | 5,000 | 70,820 |
| Total expenses before depreciation | 1,155,637 | 1,127,711 | 392,931 | 160,205 | 282,569 | 230,133 | 281,046 | 752,949 | 4,383,181 | 4,244,063 |
| Depreciation | 152,351 | 6,351 | 1,224 | 4,380 | 766 | 1,448 | 38,251 | 13,109 | 217,880 | 196,066 |
| Total expenses | \$ 1,307,988 | \$ 1,134,062 | \$ 394,155 | \$ 164,585 | \$ 283,335 | \$ 231,581 | \$ 319,297 | \$ 766,058 | \$ 4,601,061 | \$ 4,440,129 |

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

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the society

The Society for the Protection of New Hampshire Forests (the Society) is a non-profit membership organization founded in 1901 to protect the State's most important landscapes and promote wise use of its renewable natural resources.

Basis of accounting

The financial statements of the Society have been prepared on the accrual basis of accounting which necessitates the inclusion of various non-cash revenues and expenses in the statements of financial position and the statement of activities. The effect of this generally accepted accounting method is to make the latter statement a modified presentation of the Society's cash support and expenditures. Included in the accompanying financial statements is a statement of cash flows presenting a cash analysis of all funds for the fiscal year.

Non-profit organization

The Society applied for and has been granted recognition of exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986. Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholders or individuals.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Inventory consists of the following:

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Current: | | |
| Gift Shop | \$ 13,586 | \$ 14,834 |
| Christmas trees expected to be sold within one year | <u>67,830</u> | <u>40,000</u> |
| Total current | 81,416 | 54,834 |
| Long-term: | | |
| Christmas trees not expected to be sold within the next year | <u>537,033</u> | <u>535,744</u> |
| Total inventory | <u>\$618,449</u> | <u>\$590,578</u> |

Investments

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets in the accompanying statement of activities.

Property and equipment

Property and equipment are recorded at cost or, in the case of donated assets, at fair market value. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|---------------------------------|-------------|
| Buildings and land improvements | 10-40 years |
| Equipment | 3-20 years |

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

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land

Purchased land and donated land are recorded at their fair market value at date of receipt.

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

- Permanent holdings are those tracts which the Society does not intend to dispose of within the foreseeable future. These include the sites of Society's programs or conservation projects and tracts having certain natural features which the Society deems worthy of preservation.
- Land held in trust includes tracts held by the 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.
- Land held for resale includes land that has been purchased or accepted as a gift at its fair market 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 Society's restrictions written into the deed at the time of transfer.
- Permanent land holdings include conservation easements purchased by the Society. Conservation easements are intangible assets comprised of listed rights and/or restrictions over the owned property that are conveyed by the owner to the Society in order to protect the property as a significant natural area. Conservation easements are recorded at the lower of cost or market value. The value of donated easements, not recorded in the financials, during year ended April 30, 2009 was more than \$4,000,000.

Deed restrictions attached to most land sold severely restrict the use and development of the land in perpetuity. This practice can substantially reduce the market value of the land. In prior years, an allowance for land restrictions had been established at the time a parcel was acquired. However, in most cases, there is no impairment to the land's value since deed restrictions are generally attached at the time the land is sold.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land (concluded)

Land consists of the following:

| | <u>2009</u> | <u>2008</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Permanent land holdings | \$ 52,699,601 | \$ 45,687,257 |
| Land held for resale | <u>1,114,959</u> | <u>1,206,195</u> |
| | <u>53,814,560</u> | <u>46,893,452</u> |
| Less allowance for restrictions | <u>(1,190,039)</u> | <u>(1,190,039)</u> |
| Total | <u><u>\$ 52,624,521</u></u> | <u><u>\$ 45,703,413</u></u> |

Annuities

Certain gifts require that the Society pay the donor a predetermined amount during the donor's lifetime. Such gifts are recorded as revenue when received and the present value of the future amount payable is credited to a liability account. Periodically, an adjustment is made to annuities payable to record the actuarial income or expense due to the recomputation of the liability based upon the revised life expectancies.

Cash and cash equivalents

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

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The allocation of expenditures is made on the basis of specific identification and estimates of time spent and benefits derived.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Tax exempt status

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made. The Society pays a nominal amount of tax relating to unrelated business activities, primarily from gift shop and Christmas tree sales.

Concentration of credit risk

The Society maintains its cash balances in a financial institution located in New Hampshire. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At April 30, 2009, the Society's uninsured cash balances totaled \$1,260,519.

These uninsured balances are protected via a custodial agreement between the Forest Society, its bank and a third party. The third party holds bank assets valued at 102% of the value of the Forest Society's uninsured balance in the Forest Society's name.

Membership dues

Membership dues collected are recorded as revenues when received.

Note 2. CASH AND CASH EQUIVALENTS

Included in cash at April 30, 2009 and 2008 are interest bearing accounts totaling \$1,837,537 and \$1,680,071, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 3. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

| | <u>2009</u> | <u>2008</u> |
|---|-------------|--------------|
| Promise to give expected to be collected in | | |
| Less than one year | \$ 128,489 | \$ 965,475 |
| One to five years | 36,000 | 79,050 |
| Beyond five years | 48,000 | - |
| | 212,489 | 1,044,525 |
| Less discount to net present value | 79,093 | 42,483 |
| Net pledges receivable | \$ 133,396 | \$ 1,002,042 |

A discount rate of 8% was applied to determine net present value.

Note 4. GRANT RECEIVABLE

For 2009, the majority of grants receivable (\$600,000) were from two organizations for the Ashuelot project.

Note 5. INVESTMENTS

Investments are stated at fair value and consist of the following:

| | <u>Cost</u> | <u>2009 Fair Value</u> | <u>Unrealized Appreciation (Depreciation)</u> |
|-----------------------------|---------------|--------------------------------|---|
| Money market funds | \$ 1,202,948 | \$ 1,202,948 | \$ - |
| U.S. Government obligations | 3,524,148 | 3,531,389 | 7,241 |
| Corporate bonds | 457,511 | 461,476 | 3,965 |
| Equities | 5,237,616 | 4,810,777 | (426,839) |
| Total | \$ 10,422,223 | \$ 10,006,590 | \$ (415,633) |

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

NOTES TO FINANCIAL STATEMENTS

Note 5. INVESTMENTS (continued)

| | | <u>2008</u> | |
|-----------------------------|----------------------|----------------------|---|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Appreciation (Depreciation)</u> |
| Money market funds | \$ 1,699,143 | \$ 1,699,143 | \$ - |
| U.S. Government obligations | 3,213,671 | 3,963,884 | 750,213 |
| Equities | <u>8,497,251</u> | <u>10,536,521</u> | <u>2,039,270</u> |
| Total | <u>\$ 13,410,065</u> | <u>\$ 16,199,548</u> | <u>\$ 2,789,483</u> |

The following tabulation summarizes the relationship between carrying values and market values of investment assets:

| | <u>Cost</u> | <u>Market Value</u> | <u>Excess of Market over Cost</u> |
|---|----------------------|----------------------|---------------------------------------|
| Balance at end of year | <u>\$ 10,422,223</u> | <u>\$ 10,006,590</u> | \$ (415,633) |
| Balance at beginning of year | <u>\$ 13,410,065</u> | <u>\$ 16,199,548</u> | <u>2,789,483</u> |
| Total decrease in unrealized appreciation | | | <u>\$ (3,205,116)</u> |

Investment return is summarized as follows:

| | <u>2009</u> | <u>2008</u> |
|--|-----------------------|--------------------|
| Interest on temporary cash balances | \$ 18,203 | \$ 74,051 |
| Interest and dividend income | 329,698 | 1,102,468 |
| Net realized gains (losses) | (2,200,100) | 799,555 |
| Net unrealized (loss) | <u>(3,205,116)</u> | <u>(1,074,036)</u> |
| Total investment income (loss) | <u>\$ (5,057,315)</u> | <u>\$ 902,038</u> |

Expenses relating to investment revenues, including management fees, amounted to \$56,906 and \$32,442 in 2009 and 2008, respectively, have been netted against investment revenues in the accompanying statement of activities.

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

NOTES TO FINANCIAL STATEMENTS

Note 5. INVESTMENTS (concluded)

The Society's policy is to avail itself of a Board approved percentage of investment income for operations with any remaining interest, dividends, or appreciation reinvested. The spending policy approved by the Board of Trustees for fiscal 2009 was 5% of the average fair market value of all investments over three years. The amounts were as follows:

| | |
|-----------------------------------|------------------------------|
| Total return (loss) on investment | \$ (5,057,315) |
| Used for operations | (988,942) |
| Used for capital | <u>(120,000)</u> |
| Net amount | <u><u>\$ (6,166,257)</u></u> |

Note 6. LINE OF CREDIT

The Organization has available a \$3,000,000 revolving line of credit agreement with a bank. The line of credit expires on October 31, 2009, unless extended. Bank advances on this line of credit bear interest 1.5% above the LIBOR rate which was 1.94% at April 30, 2009. The amount due under the line of credit was \$0 for the year ended April 30, 2009.

Note 7. NOTE PAYABLE

Unsecured note payable to an individual in the amount of \$50,000 and due in full on September 30, 2007 was repaid by the due date.

Note 8. EMPLOYEE BENEFIT PLANS

Effective January 1, 1988, the Society established a 403(b) tax sheltered annuity plan covering all qualified full-time employees. At the present time, the 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 Society's match is determined by the Board of Trustees and has remained unchanged since 1997. For the years ended April 30, 2009 and 2008, the Society's contribution to the plan totaled \$67,021 and \$67,764, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following specific services:

| | <u>2009</u> | <u>2008</u> |
|---------------------|---------------------|--------------------|
| Land protection | \$ 3,064,604 | \$1,569,061 |
| Property management | 359,147 | 942,213 |
| Communications | 5,560 | 20,376 |
| Policy | 45,764 | 16,782 |
| Research | 11,884 | 5,970 |
| Education | <u>1,648</u> | <u>1,648</u> |
| Total | <u>\$ 3,488,607</u> | <u>\$2,556,050</u> |

Note 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$5,092,918 are restricted to invested endowment principal maintained in perpetuity of which income earned is expendable to support operations. The remaining balance of \$51,509,562 consists of land that is held for conservation and is permanently restricted.

Note 11. CHANGE IN NET ASSETS TO CONFORM TO DONOR INTENT

Property for resale was donated to the Society with the original intention of the proceeds from sale to be unrestricted. The donor later stated that the proceeds from the sale to be permanently restricted.

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NOTES TO FINANCIAL STATEMENTS

Note 12. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at April 30, 2009 and 2008 are as follows:

| | <u>Fair Value</u> | <u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|-----------------------|-----------------------|---|--|
| April 30, 2009 | | | |
| Long-term investments | \$ 10,006,590 | \$ 10,006,590 | \$ - |
| Pledges receivable | <u>133,396</u> | <u>-</u> | <u>133,396</u> |
| Total | <u>\$ 10,139,986</u> | <u>\$ 10,006,590</u> | <u>\$ 133,396</u> |
| April 30, 2008 | | | |
| Long-term investments | \$ 16,199,548 | \$ 16,199,548 | \$ - |
| Pledges receivable | <u>1,002,042</u> | <u>-</u> | <u>1,002,042</u> |
| Total | <u>\$ 17,201,590</u> | <u>\$ 16,199,548</u> | <u>\$ 1,002,042</u> |

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the pledge receivable is estimated as the present value of expected future cash inflows.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Pledge receivable

| | |
|---------------------------|-------------------|
| Balance at April 30, 2008 | \$ 1,002,042 |
| Pledges made | 118,000 |
| Payments received | (907,553) |
| Discount to present value | <u>(79,093)</u> |
| Balance at April 30, 2009 | <u>\$ 133,396</u> |

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NOTES TO FINANCIAL STATEMENTS

Note 13. ENDOWMENT FUND ASSETS

In August 2008, FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowments for Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures*, which is intended to improve the quality of consistency of financial reporting of endowments held by not-for-profit organizations. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act (UPMIFA). New Hampshire has adopted UPMIFA. The FSP also requires additional financial statement disclosures on endowments and related net assets.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Investments, beginning of year | \$ 7,558,098 | \$ 2,498,990 | \$ 6,142,460 | \$16,199,548 |
| Investment return (loss) | | | | |
| Investment income | 182,356 | 25,849 | 112,995 | 321,200 |
| Realized loss | (1,249,073) | (177,056) | (773,971) | (2,200,100) |
| Unrealized loss | <u>(1,819,654)</u> | <u>(257,936)</u> | <u>(1,127,526)</u> | <u>(3,205,116)</u> |
| Total investment return | (2,886,371) | (409,143) | (1,788,502) | (5,084,016) |
| Appropriation of endowment assets for operations | <u>(718,628)</u> | - | <u>(390,314)</u> | <u>(1,108,942)</u> |
| Transfer upon adoption of UPMIFA | - | <u>2,730,560</u> | <u>(2,730,560)</u> | - |
| Total | <u>\$ 3,953,099</u> | <u>\$ 4,820,407</u> | <u>\$ 1,233,084</u> | <u>\$10,006,590</u> |

**SOCIETY FOR THE PROTECTION OF
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NOTES TO FINANCIAL STATEMENTS

Note 13. ENDOWMENT FUND ASSETS (concluded)

Investment Net Asset Composition by Fund Type

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Undesignated | \$3,953,099 | \$ - | \$ - | \$ 3,953,099 |
| Donor designated | <u>-</u> | <u>4,820,407</u> | <u>1,233,084</u> | <u>6,053,491</u> |
| Total | <u>\$ 3,953,099</u> | <u>\$ 4,820,407</u> | <u>\$ 1,233,084</u> | <u>\$ 10,006,590</u> |

The Society has adopted an investment policy to ensure a total return on the endowment over time to achieve a level that covers the established spending policy plus the rate of inflation and management fees.

The current spending policy is 5% of twelve quarters moving average of the endowment portfolio's market value adjusted for capital additions and withdrawals.

Note 14. RESTRICTED CASH

The Society has set aside funds in a restricted escrow account by court order to acquire one or more parcels of land in fee or conservation easements which have conservation attributes that benefit the purpose of the Conservation Easement, are consistent with conservation purposes of Sweet Water Trust and the Society and is located adjacent to or near the Pioneer Lake Property in the Town of Stoddard, New Hampshire.