

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

FINANCIAL REPORT

MARCH 31, 2016

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
The Audubon Society of New Hampshire  
Concord, New Hampshire 03301

We have audited the accompanying financial statements of The Audubon Society of New Hampshire, which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Audubon Society of New Hampshire as of March 31, 2016 and 2015, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary statements of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nathan Wechsler & Company*  
Concord, New Hampshire  
August 23, 2016

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF FINANCIAL POSITION

March 31, 2016 and 2015

ASSETS		2016	2015
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,196,660	\$ 1,316,862
Accounts receivable		71,275	62,643
Contributions receivable, net of allowance 2016 \$5,078; 2015 \$10,221		-	50,259
Merchandise inventories		21,425	24,276
Prepaid expenses		29,113	27,892
<i>Total current assets</i>		1,318,473	1,481,932
<b>PROPERTY AND EQUIPMENT, net</b>		11,566,540	11,671,309
<b>INVESTMENTS AND OTHER ASSETS</b>			
Investments		2,601,929	2,926,578
Split-interest agreements		2,592,599	2,035,743
Contributions receivable, net of allowance 2016 \$-; 2015 \$1,249 and discount 2016 \$-; 2015 \$1,458		-	4,687
Art collection		225,000	225,000
Other assets		792	3,961
		5,420,320	5,195,969
<i>Total assets</i>	\$	18,305,333	\$ 18,349,210
<b>LIABILITIES AND NET ASSETS</b>			
		2016	2015
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt	\$	18,051	\$ 17,711
Current portion of gift annuity payable		19,100	19,100
Accounts payable and accrued expenses		40,548	31,602
Accrued payroll and related liabilities		106,562	90,937
Deferred revenue		96,967	70,240
Other current liabilities		18,201	18,201
<i>Total current liabilities</i>		299,429	247,791
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities		624,741	646,311
Gift annuity payable, excluding current portion		80,349	85,644
		705,090	731,955
<i>Total liabilities</i>		1,004,519	979,746
<b>COMMITMENTS (See Notes)</b>			
<b>NET ASSETS</b>			
Unrestricted		3,638,521	3,969,215
Temporarily restricted		4,888,755	5,302,841
Permanently restricted		8,773,538	8,097,408
<i>Total net assets</i>		17,300,814	17,369,464
<i>Total liabilities and net assets</i>	\$	18,305,333	\$ 18,349,210

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support, and releases								
Contributions	\$ 285,818	\$ 172,468	\$ -	\$ 458,286	\$ 376,958	\$ 158,141	\$ -	\$ 535,099
Bequests	13,822	162,500	-	176,322	98,069	-	-	98,069
Grants	-	127,228	-	127,228	83,266	141,500	-	224,766
Contracts	279,862	145,331	-	425,193	122,145	255,475	-	377,620
Memberships	101,181	-	-	101,181	112,853	-	-	112,853
Programs, events, and visitor fees	411,425	-	-	411,425	391,472	-	-	391,472
Sales of merchandise, net of cost of goods sold								
2016 \$52,307; 2015 \$59,176	26,246	-	-	26,246	33,210	-	-	33,210
Investment income from trusts	25,928	-	-	25,928	22,288	-	-	22,288
Investment spending draw	42,007	48,284	-	90,291	41,569	46,082	-	87,651
Other income	86,861	-	-	86,861	70,969	-	-	70,969
Net assets released from restrictions for satisfaction of program restrictions	764,512	(764,512)	-	-	929,860	(918,679)	(11,181)	-
<i>Total revenue (loss), support and releases</i>	<i>2,037,662</i>	<i>(108,701)</i>	<i>-</i>	<i>1,928,961</i>	<i>2,282,659</i>	<i>(317,481)</i>	<i>(11,181)</i>	<i>1,953,997</i>
Expenses								
Program service expenses								
Conservation	537,008	-	-	537,008	509,424	-	-	509,424
Amoskeag Fishways	218,504	-	-	218,504	182,126	-	-	182,126
Newfound Audubon Center	40,240	-	-	40,240	43,853	-	-	43,853
Massabesic Audubon Center	284,115	-	-	284,115	272,093	-	-	272,093
Silk Farm Audubon Center	628,421	-	-	628,421	623,961	-	-	623,961
Supporting services								
Administration and general	305,550	-	-	305,550	188,638	-	-	188,638
Membership, development, and communication	300,934	-	-	300,934	391,342	-	-	391,342
<i>Total expenses</i>	<i>2,314,772</i>	<i>-</i>	<i>-</i>	<i>2,314,772</i>	<i>2,211,437</i>	<i>-</i>	<i>-</i>	<i>2,211,437</i>
<i>Income (loss) from operations</i>	<i>(277,110)</i>	<i>(108,701)</i>	<i>-</i>	<i>(385,811)</i>	<i>71,222</i>	<i>(317,481)</i>	<i>(11,181)</i>	<i>(257,440)</i>
Nonoperating revenue and other changes in net assets								
Contributions	-	-	5,420	5,420	-	-	2,415	2,415
Investment loss, net of spending draw	(53,584)	(198,917)	-	(252,501)	(4,557)	(16,775)	-	(21,332)
Loss on sale of property and equipment	-	-	-	-	(33,908)	-	-	(33,908)
Change in value of split-interest agreements	-	(106,468)	670,710	564,242	-	(6,238)	2,314	(3,924)
<i>Total change in net assets</i>	<i>(330,694)</i>	<i>(414,086)</i>	<i>676,130</i>	<i>(68,650)</i>	<i>32,757</i>	<i>(340,494)</i>	<i>(6,452)</i>	<i>(314,189)</i>
Net assets, beginning of year	3,969,215	5,302,841	8,097,408	17,369,464	3,936,458	5,643,335	8,103,860	17,683,653
Net assets, end of year	\$ 3,638,521	\$ 4,888,755	\$ 8,773,538	\$ 17,300,814	\$ 3,969,215	\$ 5,302,841	\$ 8,097,408	\$ 17,369,464

See Notes to Financial Statements.

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (68,650)	\$ (314,189)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	148,147	147,365
Bad debt expense	48,921	-
Loss on sale of property and equipment	-	33,908
Realized and unrealized loss on investments	275,772	44,831
(Increase) decrease in value of split-interest agreements, net of change in related liabilities and proceeds from split-interest agreements	(556,856)	31,207
Restricted contributions	(5,420)	(2,415)
Increase in accounts receivable	(57,553)	(13,650)
Decrease in contributions receivable	54,946	62,972
(Increase) decrease in merchandise inventories	2,851	(821)
Increase in prepaid expenses	(1,221)	(1,801)
Increase (decrease) in accounts payable and accrued expenses	8,946	(11,736)
Increase (decrease) in accrued payroll and related liabilities	15,625	(3,367)
Increase (decrease) in deferred revenue	26,727	(44,548)
Increase (decrease) in other current liabilities	-	(1,059)
Decrease in gift annuity payable	(5,295)	(5,430)
<i>Net cash used in operating activities</i>	<u>(113,060)</u>	<u>(78,733)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(189,343)	(532,861)
Proceeds from sale of investments	238,220	562,469
Purchase of property and equipment	(40,209)	(21,914)
Proceeds from sale of assets	-	19,842
<i>Net cash provided by investing activities</i>	<u>8,668</u>	<u>27,536</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of long-term debt	(21,230)	(26,674)
Restricted contributions	5,420	2,415
<i>Net cash used in financing activities</i>	<u>(15,810)</u>	<u>(24,259)</u>
<i>Net decrease in cash and cash equivalents</i>	<u>(120,202)</u>	<u>(75,456)</u>
Cash and cash equivalents, beginning of year	1,316,862	1,392,318
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,196,660</u>	<u>\$ 1,316,862</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 29,779	\$ 31,504

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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### *Note 1. Nature of Business*

The Audubon Society of New Hampshire ("the Society") is a not-for-profit organization incorporated under the laws of the State of New Hampshire. The Society was established in 1914 as a statewide membership organization dedicated to protecting New Hampshire's wildlife and environment through education and conservation. Contributions and contracts represent the Society's primary source of revenues.

### *Note 2. Significant Accounting Policies*

**Basis of accounting:** The financial statements of the 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 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 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 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 revenues and expenses and contributions pledged which are not subject to any time or donor-imposed restrictions.

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 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 gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions.

**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.

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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**Cash and cash equivalents:** Cash and cash equivalents in the statement of cash flows include cash, which is held in either demand deposit or short-term money market accounts, and highly liquid savings deposits and investments with original maturities of three months or less when purchased.

**Accounts receivable:** Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was deemed necessary for both years ended March 31, 2016 and 2015.

**Contributions receivable:** Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable expected to be received beyond one year are recognized at fair value using present value techniques. Conditional promises to give are not included in the financial statements. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowance for doubtful accounts of \$5,078 and \$11,470 was recorded for the years ended March 31, 2016 and 2015, respectively. Actual bad debt expense on contributions receivable balances amounted to \$48,921 and \$- for the years ended March 31, 2016 and 2015, respectively.

**Property and equipment:** Property and equipment are recorded at cost if purchased or fair value at the date of the gift if donated, and are being depreciated using the straight-line method over estimated useful lives as follows:

	Years
Land and improvements .....	10
Buildings and improvements .....	10-40
Equipment .....	3-10
Vehicles .....	5

**Investments:** Purchased and gifted securities are recorded at fair value. Endowment income is distributed to the Society quarterly and is based upon a three year rolling average of the unit value multiplied by the predetermined rate of 4.5%. The Society may use the Endowment's investment yield of 4.5% for support of sanctuaries, specific projects, and general operations. This predetermined income is recorded as temporarily restricted income which is released from restriction when the related expenses are recorded. Accordingly, these amounts are included in net assets released from restriction as part of unrestricted net assets. Earnings in excess of 4.5% are reinvested in the Endowment, and are included in non-operating income.

**Art collection:** During the year ended March 31, 2007, the Society capitalized its art collection of John James Audubon's "Viviparous Quadrupeds of North America". During the fiscal year ended March 31, 2014, the artwork was reappraised and is being carried at the estimated market value as of March 31, 2014. Subsequent additions acquired by purchase will be stated at cost; additions acquired by gift will be stated at the estimated fair value at the date of donation. Because the Society's art collection consists of rare works of art, no provision for depreciation is made thereon. The art collection is classified as permanently restricted net assets.

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## THE AUDUBON SOCIETY OF NEW HAMPSHIRE

### NOTES TO FINANCIAL STATEMENTS

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**Deferred revenues:** Deferred revenues consist primarily of the present value discount on contributions to the pooled income fund, deposits on summer camp programs, and deposits on contract revenue.

**Income taxes:** The 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. For the years ended March 31, 2016 and 2015, there was no liability for a tax on unrelated business income.

The Society has adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the Society's tax positions and concluded the Society had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Society is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2013.

**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.

**Volunteer services:** The Society is a membership organization whose volunteers work directly with Society personnel to further the Society's mission. Volunteers serve in teaching positions as trip leaders and assistants, act as environmental advocates, provide field assistance in managing and monitoring wildlife populations, act as sanctuary caretakers, and provide administrative and grounds keeping services. The value of such services has not been recorded in the financial statements.

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

**Merchandise inventories:** Inventories are stated at the lower of cost, determined on the retail method, or market. Inventories are comprised of birdseed, bird feeders, books, music, and assorted merchandise related to the Society's programs and functions.

**Advertising:** The Society follows the policy of charging the costs of advertising to expense as incurred.

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

The Society holds cash deposits at several financial institutions. The Society's cash accounts are insured up to \$250,000 per depositor at each financial institution. Amounts included in cash in excess of these federally insured limits were approximately \$102,000 at March 31, 2016.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Contributions Receivable

Unconditional promises to give (pledges) are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Pledges expected to be received beyond one year are recognized at fair value using present value techniques and a discount rate of 3%.

Contributions receivable are expected to be realized in the following periods:

March 31,	2016	2015
In one year or less	\$ 5,078	\$ 60,480
Between one year and five years	-	7,394
Less: present value discount	-	1,458
Less: allowance for uncollectible contributions receivable	5,078	11,470
<i>Total</i>	<u>\$ -</u>	<u>\$ 54,946</u>

Contributions receivable are primarily from individuals located throughout New Hampshire for program support.

### Note 5. Investments

Investments are recorded at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investments in debt and equity securities are subject to changes in fair value due to overall market conditions. Investments consist of the following:

March 31,	2016	2015
Cash and cash equivalents	\$ 10,699	\$ 6,753
Corporate stocks	602,370	498,525
U.S. Government securities	144,587	146,629
Bond mutual funds	825,826	922,704
Equity mutual funds	1,017,447	1,350,967
Other investments	1,000	1,000
<i>Total investments</i>	<u>\$ 2,601,929</u>	<u>\$ 2,926,578</u>

Investment income consists of the following:

March 31,	2016	2015
Interest and dividends, net of investment fees of \$24,524 in 2016; \$23,747 in 2015	\$ 113,562	\$ 111,150
Realized and unrealized losses	(275,772)	(44,831)
<i>Total investment income (loss)</i>	<u>\$ (162,210)</u>	<u>\$ 66,319</u>

The Society's investments consist of donor-restricted endowment funds established for a variety of purposes and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

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*Note 6. Endowment Funds and Net Assets*

The 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 Society adopted FASB ASC 958-205-45 for the year ended March 31, 2009. The Society's endowment includes 21 donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Society have interpreted UPMIFA as allowing the Society to appropriate for expenditure or accumulate so much of an endowment fund as the 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 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 Society in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the 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 Society, and (7) the investment policies of the 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 requires the Society to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were approximately \$8,540 and \$1,026 as of March 31, 2016 and 2015. These deficiencies resulted from unfavorable market fluctuations and by continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

**Investment Return Objectives, Risk Parameters and Strategies:** The Society has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to maintain the purchasing power of those endowment assets over the long-term.

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which emphasizes equity-based and income-based investments, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of accumulated interest and dividends income to be re-invested or used as needed, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to reduce the exposure of the fund to unacceptable levels of risk.

**Spending Policy:** The Society has a policy of appropriating for distribution 4.5% of its entire endowment fund's average fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned, unless additional amounts are appropriated by the Board. The Society expects the current spending practice to allow its endowment funds to grow, which is consistent with the Society's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. Under this policy, \$90,291 and \$87,651 was appropriated for expenditure for years ended March 31, 2016 and 2015, respectively.

The composition of the endowment account as of March 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 711,099	\$ -	\$ -	\$ 711,099
Donor-restricted endowment funds	(8,540)	365,235	619,294	975,989
<i>Total</i>	<u>\$ 702,559</u>	<u>\$ 365,235</u>	<u>\$ 619,294</u>	<u>\$ 1,687,088</u>

Changes in endowment account for the year ended March 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 799,700	\$ 481,952	\$ 613,874	\$ 1,895,526
Investment return				
Investment income, net of fees	23,955	28,640	-	52,595
Realized and unrealized losses	(71,575)	(104,587)	-	(176,162)
Contributions	-	-	5,420	5,420
Appropriation of endowment assets for expenditure	(42,007)	(48,284)	-	(90,291)
Transfers to cover deficiencies	(7,514)	7,514	-	-
Endowment net assets, end of year	<u>\$ 702,559</u>	<u>\$ 365,235</u>	<u>\$ 619,294</u>	<u>\$ 1,687,088</u>

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

The composition of the endowment account as of March 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 800,726	\$ -	\$ -	\$ 800,726
Donor-restricted endowment funds	(1,026)	481,952	613,874	1,094,800
<i>Total</i>	<u>\$ 799,700</u>	<u>\$ 481,952</u>	<u>\$ 613,874</u>	<u>\$ 1,895,526</u>

Changes in endowment account for the year ended March 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 821,460	\$ 510,183	\$ 611,459	\$ 1,943,102
Investment return				
Investment income, net of fees	29,854	35,443	-	65,297
Realized and unrealized losses	(9,371)	(18,269)	-	(27,640)
Contributions		-	2,415	2,415
Appropriation of endowment assets for expenditure	(41,568)	(46,080)	-	(87,648)
Transfers to cover deficiencies	(675)	675	-	-
Endowment net assets, end of year	<u>\$ 799,700</u>	<u>\$ 481,952</u>	<u>\$ 613,874</u>	<u>\$ 1,895,526</u>

Investments consist of:

March 31,	2016	2015
Board designated funds	\$ 702,559	\$ 799,700
Portion of perpetual endowment funds subject to time restriction under UPMIFA	365,235	481,952
Permanently restricted	619,294	613,874
<i>Endowment investments</i>	<u>1,687,088</u>	<u>1,895,526</u>
Yankee Farm Credit stock	1,000	1,000
Temporarily "purpose" restricted	913,841	1,030,052
<i>Total investments</i>	<u>\$ 2,601,929</u>	<u>\$ 2,926,578</u>

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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### *Note 7. Split-Interest Agreements*

The Society is the beneficiary of income and remainder trusts. The Society's interest in these split-interest agreements is reported as a contribution in the year in which it is notified of its interest. The present value of the Society's interest in split-interest agreements approximates the fair value of the Society's proportional share of the assets of the trusts. Valuation changes are reported as a change in value of split-interest agreements in the statement of activities.

The Society established a pooled income fund in March 1993. Contributions to the fund are measured at the fair value of the assets to be received, discounted for the estimated time period until the donor's death using discount rates between 4.2% and 9.4%. Until a donor's death, the donor or designated beneficiary is paid the income (as defined under the arrangement) earned on the donor's assigned units. Upon the donor's death, the value of the units reverts to the Society. Amortization of the discount is recognized as a change in value of split-interest agreements in temporarily restricted net assets in the statement of activities.

The Society has entered into charitable gift annuity agreements whereby donors (or designated beneficiaries) receive payments for the remainder of their lives. The liability for these split-interest agreements is determined based on actuarial assumptions using discount rates between 4.0% and 7.4%. The amount of the contribution recorded by the Society is the fair value of assets received less the present value of the estimated annuity payments. Valuation changes in the annuity liability are reflected as changes in temporarily restricted net assets in the statement of activities.

Split-interest agreements consist of the following:

March 31,	2016	2015
Markus Trust (perpetual income trust)	\$ 1,375,163	\$ 702,920
Chase Trust (perpetual income trust)	84,572	86,105
Pooled income fund	958,409	1,043,921
Charitable annuity fund	174,455	202,797
<i>Total split-interest agreements</i>	<u>\$ 2,592,599</u>	<u>\$ 2,035,743</u>

The income received from the Markus and Chase Trusts is restricted for sanctuary preservation and maintenance. Total income received from these split-interest agreements amounted to \$31,153 and \$35,217 for the years ended March 31, 2016 and 2015, respectively.

The Society is the income beneficiary of revocable trust funds maintained by the New Hampshire Charitable Foundation. On March 31, 2016 and 2015, these funds had a market value of \$494,250 and \$530,853, respectively. Income distributions on these trust funds are recorded as contribution revenue when received, and amounted to \$20,707 and \$20,091 for the years ended March 31, 2016 and 2015, respectively.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Debt

Long-term debt consists of the following:

March 31,	2016	2015
Variable note payable, Yankee Farm Credit, due in monthly installments of principal and interest (4.50% at March 31, 2016) in the amount of \$3,817 through February 2038; collateralized by certain real estate of the Society located in Concord, Auburn, Antrim and Marlborough, New Hampshire.	\$ 642,792	\$ 664,022
Less current portion	18,051	17,711
<i>Long-term debt, less current portion</i>	<u>\$ 624,741</u>	<u>\$ 646,311</u>

Aggregate maturities required on long-term debt at March 31, 2016 are as follows:

2017	\$ 18,051
2018	18,571
2019	19,473
2020	20,418
2021	21,409
Thereafter	544,870
<i>Total</i>	<u>\$ 642,792</u>

The loan agreement contains covenants, the most restrictive of which require the Society to maintain a working capital minimum of 150% of the loan balance and a minimum net worth of \$13 million.

Interest expense amounted to \$29,779 and \$31,504 for the years ended March 31, 2016 and 2015, respectively.

### Note 9. Property and Equipment

Property and equipment consisted of the following:

March 31,	2016	2015
Land and improvements	\$ 8,157,935	\$ 8,157,935
Building and improvements	5,468,387	5,428,179
Equipment	311,970	311,970
Vehicles	57,116	57,115
	<u>13,995,408</u>	<u>13,955,199</u>
Less accumulated depreciation	2,428,868	2,283,890
<i>Property and equipment, net</i>	<u>\$ 11,566,540</u>	<u>\$ 11,671,309</u>



# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

March 31,	2016	2015
Split-interest agreements	\$ 1,007,503	\$ 1,096,558
Support of specific projects	2,990,053	3,175,647
Capital funds	89,750	89,750
Portion of perpetual endowment funds subject to time restriction under UPMIFA	365,235	481,952
Massabesic Audubon Center long-lived donated assets	436,214	458,934
<i>Total temporarily restricted net assets</i>	<u>\$ 4,888,755</u>	<u>\$ 5,302,841</u>

Split-interest agreements are restricted as to time and their use is primarily restricted to research, sanctuary maintenance and environmental education.

### Note 11. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

March 31,	2016	2015
Land held for conservation	\$ 6,469,510	\$ 6,469,510
Perpetual trusts	1,459,735	789,025
Center support	50,925	50,925
Sanctuary preservation and maintenance	306,205	306,205
Conservation	80,926	80,926
Programs	166,237	160,817
Collection	225,000	225,000
Other	15,000	15,000
<i>Total permanently restricted net assets</i>	<u>\$ 8,773,538</u>	<u>\$ 8,097,408</u>

Income earned on perpetual trusts is restricted for sanctuary preservation and maintenance.

### Note 12. 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:

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

- 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 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 carried at fair value on a recurring basis consist of the following:

Fair value at March 31, 2016 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 10,699	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	144,587	-	-
Common stock:			
ETF - Domestic	443,017	-	-
ETF - Real estate	159,353	-	-
Bond mutual funds:			
Domestic bonds	185,540	-	-
International bonds	369,949	-	-
High yield bonds	270,337	-	-
Mutual funds:			
Emerging markets	205,207	-	-
Natural resources	158,182	-	-
Real estate	315,071	-	-
International	338,987	-	-
Split-interest agreements	-	-	2,592,599
Other investments	1,000	-	-
	<u>\$ 2,601,929</u>	<u>\$ -</u>	<u>\$ 2,592,599</u>

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

Fair value at March 31, 2015 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 6,753	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	146,629	-	-
Common stock:			
ETF - Domestic	370,951	-	-
ETF - Energy infrastructure	127,575	-	-
Bond mutual funds:			
Corporate bonds	186,537	-	-
International bonds	404,137	-	-
High yield bonds	332,030	-	-
Mutual funds:			
Emerging markets	226,749	-	-
Natural resources	417,327	-	-
Real estate	313,826	-	-
International	393,064	-	-
Split-interest agreements	-	-	2,035,743
Other investments	1,000	-	-
	<u>\$ 2,926,578</u>	<u>\$ -</u>	<u>\$ 2,035,743</u>

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.

The following table presents the change in Level 3 instruments for the year ended March 31, 2016:

	Split Interest Agreements
Balance, beginning of year	\$ 2,035,743
Investment fees	(16,638)
Distributions	(31,153)
Total realized and unrealized gains, included in changes in net assets	604,647
Balance, end of year	<u>\$ 2,592,599</u>
Amount of unrealized gains attributable to change in unrealized gains relating to assets still held at the reporting date, included in changes in net assets	<u>\$ 604,647</u>

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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The following table presents the change in Level 3 instruments for the year ended March 31, 2015:

	Split Interest Agreements
Balance, beginning of year	\$ 2,066,950
Investment fees	(12,721)
Distributions	(35,217)
Total realized and unrealized gains, included in changes in net assets	16,731
Balance, end of year	<u><u>\$ 2,035,743</u></u>
Amount of unrealized gains attributable to change in unrealized gains relating to assets still held at the reporting date, included in changes in net assets	<u><u>\$ 16,731</u></u>

### *Note 13. Employee Retirement Plan*

The Society has a tax deferred Annuity Retirement Plan that allows employees to make voluntary contributions, on a pre-tax basis, through salary reduction. The Society makes a matching contribution for each participating employee up to 6% of the participant's compensation.

The Society's matching contributions for the years ended March 31, 2016 and 2015 were \$38,243 and \$39,861, respectively.

### *Note 14. Contingent Liabilities*

The Society has contracts with various state and Federal agencies to provide conservation and other services. Under the terms of these agreements, the Society is required to provide the contracted services within the contract period for purposes specified in the budget. If program expenditures are determined not to have been made in compliance with the approved budget, the Society may be required to repay such funds.

### *Note 15. Subsequent Events*

The Society has evaluated subsequent events through August 23, 2016, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date.

No subsequent events were identified that would require disclosure in the financial statements for the year ended March 31, 2016.

*Note 16. National Wildlife Federation Affiliation*

A formal affiliation between the National Wildlife Federation ("NWF") and the Society was effective November 5, 2011. The benefits to the Society are both programmatic and pragmatic.

Programmatically, NWF's mission focus is wildlife conservation. Its programs are rooted in policy, science, and education. Its scope is national. The Society's mission is protecting New Hampshire's environment for wildlife and for people. The Society's programs focus on policy, conservation science, education, and land protection. The Society's focus is statewide, but many of the issues are national in scope, e.g. bird conservation, climate change.

Working with NWF, the Society has access to talented people whose knowledge complements the Society's staffs'. NWF serves a coordinating role for its New England affiliates and facilitates communication among the Society staff and other NWF affiliates working on the same issues.

From a practical standpoint, NWF is a large organization with more than 7,000 members in New Hampshire to whom the Society has access. A key organization goal for the Society is to build the membership base. Given the similarity in missions and work, NWF members are likely to be interested in the Society but in all probability have never been asked to join. With grant support from the New Hampshire Charitable Foundation, NWF brought the development director from its New Jersey affiliate to the Society for board/staff training on fundraising. NWF offers affiliate training to help them build capacity and seeks to strengthen the regional environmental community through its affiliates.

Annually NWF and the Society identify areas on which to work together. Currently, capacity building is the primary focus. The scientific and policy staff are identifying additional areas of mutual interest and collaborating on an issue by issue basis.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2016

	Program Services					Supporting Services			
	Conservation	Amoskeag Fishways	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Administrative and General	Membership, Development, and Communication	Total	
Salaries and wages	\$ 322,832	\$ 132,642	\$ 29,337	\$ 175,374	\$ 286,493	\$ 91,500	\$ 188,947	\$ 1,227,125	
Employee benefits	95,646	39,902	3,764	27,169	42,753	4,598	26,240	240,072	
Program expenses	10,919	4,875	1,009	18,440	22,674	74	2,902	60,893	
Printing and postage	7,730	19,506	625	842	877	-	37,275	66,855	
Office supplies	1,427	1,755	-	1,564	8,900	1,427	1,273	16,346	
Travel and entertainment	16,482	3,611	249	4,516	9,356	45	940	35,199	
Advertising	-	11,991	-	168	3,008	-	1,728	16,895	
Outside services	19,968	540	-	130	2,173	39,604	29,072	91,487	
Professional services	1,657	-	489	1,304	1,630	55,049	-	60,129	
Conferences and meetings	49	-	-	-	1,073	136	659	1,917	
Dues and subscriptions	-	200	-	1,375	3,341	119	3,276	8,311	
Repairs and maintenance	19,759	1,734	881	11,440	40,003	-	-	73,817	
Utilities	995	-	1,023	12,238	26,332	-	-	40,588	
Telephone	220	-	712	3,253	6,750	-	175	11,110	
Equipment	30	1,611	871	2,097	33,207	-	-	37,816	
Insurance	16,279	-	919	6,225	24,595	2,231	-	50,249	
Interest	3,500	-	-	2,505	16,107	7,667	-	29,779	
Depreciation and amortization	17,876	-	156	12,875	80,622	36,618	-	148,147	
Property taxes	605	-	-	-	-	-	-	605	
Bad debt expense	-	-	-	-	-	48,921	-	48,921	
Miscellaneous	1,034	137	205	2,600	18,527	17,561	8,447	48,511	
<i>Total expenses</i>	<i>\$ 537,008</i>	<i>\$ 218,504</i>	<i>\$ 40,240</i>	<i>\$ 284,115</i>	<i>\$ 628,421</i>	<i>\$ 305,550</i>	<i>\$ 300,934</i>	<i>\$ 2,314,772</i>	

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2015

	2015								
	Program Services					Supporting Services			
	Conservation	Amoskeag Fishways	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Administrative and General	Membership, Development, and Communication		Total
Salaries and wages	\$ 294,483	\$ 114,392	\$ 27,503	\$ 171,907	\$ 287,528	\$ 65,404	\$ 249,257	\$	1,210,474
Employee benefits	88,874	40,017	3,170	18,286	43,474	4,790	38,740		237,351
Program expenses	3,140	3,654	838	21,930	13,877	125	25,669		69,233
Printing and postage	10,094	6,838	666	325	205	10	41,766		59,904
Office supplies	860	1,526	174	1,033	11,623	610	1,959		17,785
Travel and entertainment	19,330	2,180	165	4,905	9,174	217	2,335		38,306
Advertising	-	11,029	-	522	3,434	18	460		15,463
Outside services	20,093	75	-	-	16,987	13,803	17,391		68,349
Professional services	5,049	-	475	1,268	5,205	31,809	-		43,806
Conferences and meetings	123	-	80	-	515	439	6,593		7,750
Dues and subscriptions	300	694	230	270	440	-	1,043		2,977
Repairs and maintenance	31,390	-	7,361	8,160	35,301	-	-		82,212
Utilities	791	-	812	16,764	33,242	-	-		51,609
Telephone	894	-	750	4,427	5,431	23	-		11,525
Equipment	1,060	1,424	-	1,471	30,216	100	-		34,271
Insurance	11,737	-	848	5,183	21,172	9,446	-		48,386
Interest	4,043	-	-	-	18,618	8,840	-		31,501
Depreciation and amortization	15,476	-	573	12,463	72,215	46,638	-		147,365
Property taxes	693	-	-	-	-	-	-		693
Miscellaneous	994	297	208	3,179	15,304	6,366	6,129		32,477
<i>Total expenses</i>	<b>\$ 509,424</b>	<b>\$ 182,126</b>	<b>\$ 43,853</b>	<b>\$ 272,093</b>	<b>\$ 623,961</b>	<b>\$ 188,638</b>	<b>\$ 391,342</b>	<b>\$</b>	<b>2,211,437</b>