

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

FINANCIAL REPORT

MARCH 31, 2018

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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, 2018 and 2017, 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.

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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Audubon Society of New Hampshire as of March 31, 2018 and 2017, 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  
July 31, 2018

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF FINANCIAL POSITION

March 31, 2018 and 2017

ASSETS		2018	2017
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	829,050	\$ 806,619
Accounts receivable		102,188	85,532
Contributions receivable		5,052	-
Merchandise inventories		18,907	20,075
Prepaid expenses		25,211	43,812
<i>Total current assets</i>		980,408	956,038
<b>PROPERTY AND EQUIPMENT, net</b>		11,323,770	11,465,005
<b>INVESTMENTS AND OTHER ASSETS</b>			
Investments		2,802,463	2,775,376
Split-interest agreements		2,648,729	2,677,217
Art collection		225,000	225,000
<i>Total investments and other assets</i>		5,676,192	5,677,593
<i>Total assets</i>	\$	17,980,370	\$ 18,098,636
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt	\$	16,297	\$ 18,880
Current portion of gift annuity payable		19,100	19,100
Accounts payable and accrued expenses		29,405	22,835
Accrued payroll and related liabilities		106,999	110,127
Deferred revenue		84,899	117,533
Other current liabilities		49,258	18,201
<i>Total current liabilities</i>		305,958	306,676
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities		592,305	606,025
Gift annuity payable, excluding current portion		62,783	75,164
<i>Total long-term liabilities</i>		655,088	681,189
<i>Total liabilities</i>		961,046	987,865
<b>COMMITMENTS (See Notes)</b>			
<b>NET ASSETS</b>			
Unrestricted		3,213,446	3,240,771
Temporarily restricted		5,014,670	5,062,195
Permanently restricted		8,791,208	8,807,805
<i>Total net assets</i>		17,019,324	17,110,771
<i>Total liabilities and net assets</i>	\$	17,980,370	\$ 18,098,636

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support, and releases								
Contributions	\$ 347,049	\$ 143,672	\$ -	\$ 490,721	\$ 290,650	\$ 206,994	\$ -	\$ 497,644
Bequests	285,017	-	-	285,017	6,533	-	-	6,533
Grants	27,400	180,469	-	207,869	37,950	155,629	-	193,579
Contracts	263,411	107,776	-	371,187	248,474	133,933	-	382,407
Memberships	92,206	-	-	92,206	93,372	-	-	93,372
Programs, events, and visitor fees	402,739	107,176	-	509,915	405,482	103,573	-	509,055
Sales of merchandise, net of cost of goods sold								
2018 \$51,106; 2017 \$55,529	35,676	-	-	35,676	21,925	-	-	21,925
Investment income from trusts	19,772	-	-	19,772	26,648	-	-	26,648
Investment spending draw	30,270	41,831	-	72,101	31,651	43,550	-	75,201
Other income	77,356	-	-	77,356	68,572	-	-	68,572
Net assets released from restrictions for satisfaction of program restrictions	694,370	(694,370)	-	-	706,648	(706,648)	-	-
<i>Total revenue (loss), support and releases</i>	<i>2,275,266</i>	<i>(113,446)</i>	<i>-</i>	<i>2,161,820</i>	<i>1,937,905</i>	<i>(62,969)</i>	<i>-</i>	<i>1,874,936</i>
Expenses								
Program service expenses								
Conservation	574,174	-	-	574,174	573,506	-	-	573,506
Amoskeag Fishways	214,076	-	-	214,076	225,751	-	-	225,751
Newfound Audubon Center	34,065	-	-	34,065	45,007	-	-	45,007
Massabesic Audubon Center	329,918	-	-	329,918	336,870	-	-	336,870
Silk Farm Audubon Center	660,091	-	-	660,091	682,024	-	-	682,024
Supporting services								
Administration and general	234,109	-	-	234,109	263,339	-	-	263,339
Membership, development, and communication	286,170	-	-	286,170	294,950	-	-	294,950
<i>Total expenses</i>	<i>2,332,603</i>	<i>-</i>	<i>-</i>	<i>2,332,603</i>	<i>2,421,447</i>	<i>-</i>	<i>-</i>	<i>2,421,447</i>
<i>Loss from operations</i>	<i>(57,337)</i>	<i>(113,446)</i>	<i>-</i>	<i>(170,783)</i>	<i>(483,542)</i>	<i>(62,969)</i>	<i>-</i>	<i>(546,511)</i>
Nonoperating revenue and other changes in net assets								
Contributions	-	-	6,106	6,106	-	-	8,650	8,650
Investment income, net of spending draw	30,012	52,746	-	82,758	85,792	146,863	-	232,655
Change in value of split-interest agreements	-	13,175	(22,703)	(9,528)	-	89,546	25,617	115,163
<i>Total change in net assets</i>	<i>(27,325)</i>	<i>(47,525)</i>	<i>(16,597)</i>	<i>(91,447)</i>	<i>(397,750)</i>	<i>173,440</i>	<i>34,267</i>	<i>(190,043)</i>
Net assets, beginning of year	3,240,771	5,062,195	8,807,805	17,110,771	3,638,521	4,888,755	8,773,538	17,300,814
<i>Net assets, end of year</i>	<i>\$ 3,213,446</i>	<i>\$ 5,014,670</i>	<i>\$ 8,791,208</i>	<i>\$ 17,019,324</i>	<i>\$ 3,240,771</i>	<i>\$ 5,062,195</i>	<i>\$ 8,807,805</i>	<i>\$ 17,110,771</i>

See Notes to Financial Statements.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (91,447)	\$ (190,043)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	152,273	153,927
Realized and unrealized gain on investments	(93,892)	(201,667)
(Increase) decrease in value of split-interest agreements, net of change in related liabilities and proceeds from split-interest agreements	28,488	(84,618)
Restricted contributions	(6,106)	(8,650)
Increase in accounts receivable	(16,656)	(14,257)
Increase in contributions receivable	(5,052)	-
Decrease in merchandise inventories	1,168	1,350
(Increase) decrease in prepaid expenses	18,601	(14,699)
Increase (decrease) in accounts payable and accrued expenses	6,570	(17,713)
Increase (decrease) in accrued payroll and related liabilities	(3,128)	3,565
Increase (decrease) in deferred revenue	(32,634)	20,566
Increase in other current liabilities	31,057	-
Decrease in gift annuity payable	(14,964)	(5,185)
<i>Net cash used in operating activities</i>	<u>(25,722)</u>	<u>(357,424)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,971,170)	(21,273)
Proceeds from sale of investments	3,037,975	49,493
Purchase of property and equipment	(11,038)	(51,600)
<i>Net cash provided by (used in) investing activities</i>	<u>55,767</u>	<u>(23,380)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of long-term debt	(13,720)	(17,887)
Restricted contributions	6,106	8,650
<i>Net cash used in financing activities</i>	<u>(7,614)</u>	<u>(9,237)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<b>22,431</b>	<b>(390,041)</b>
Cash and cash equivalents, beginning of year	<u>806,619</u>	<u>1,196,660</u>
<i>Cash and cash equivalents, end of year</i>	<u><b>\$ 829,050</b></u>	<u><b>\$ 806,619</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 35,144	\$ 28,884

# 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, program and event fees, 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 the 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 the years ended March 31, 2018 and 2017.

**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. Contributions receivable at March 31, 2018 amounted to \$5,052 and are expected to be realized in one year or less. There were no contributions receivable at March 31, 2017.

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 recorded for the years ended March 31, 2018 and 2017. There was no bad debt expense related to contributions receivable balances for the years ended March 31, 2018 and 2017.

**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%. The Society may use the Endowment's investment yield of 4% 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% are reinvested in the Endowment, and are included in non-operating income.

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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**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.

**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, 2018 and 2017, 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 has maintained its tax-exempt status, does not have any significant unrelated business income, and has 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 2015.

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

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

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

**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 or net realizable value. Inventories are comprised of birdseed, bird feeders, books, music, and assorted merchandise related to the Society's programs and functions.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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

**Change in accounting principle:** In 2017, the Company adopted FASB Accounting Standards Update 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which requires inventory to be measured at the lower of cost or net realizable value. Prior to 2017, inventory was measured at the lower of cost or market. There was no material impact on the Company's results of operations or financial condition upon adoption of the new standard.

### *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 \$154,000 at March 31, 2018.

### *Note 4. 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,	2018	2017
Cash and cash equivalents	\$ 107,895	\$ 12,863
Corporate stocks	1,195,109	683,699
U.S. Government securities	50,335	146,598
Bond mutual funds	596,352	883,793
Equity mutual funds	851,772	1,047,423
Other investments	1,000	1,000
<i>Total investments</i>	<u>\$ 2,802,463</u>	<u>\$ 2,775,376</u>

Investment income consists of the following:

March 31,	2018	2017
Interest and dividends, net of investment fees of \$12,390 in 2018; \$21,546 in 2017	\$ 60,967	\$ 106,189
Realized and unrealized income	93,892	201,667
<i>Total investment income</i>	<u>\$ 154,859</u>	<u>\$ 307,856</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.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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### *Note 5. 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 twenty-one 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 \$3,331 and \$7,692 as of March 31, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations and by continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

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# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

**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.

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% 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 and to provide additional real growth through investment return. Under this policy, \$72,101 and \$75,201 was appropriated for expenditure for years ended March 31, 2018 and 2017, respectively.

The composition of the endowment account as of March 31, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 770,706	\$ -	\$ -	\$ 770,706
Donor-restricted endowment funds	(3,331)	423,532	634,050	1,054,251
<i>Total</i>	<u>\$ 767,375</u>	<u>\$ 423,532</u>	<u>\$ 634,050</u>	<u>\$ 1,824,957</u>

Changes in endowment account for the year ended March 31, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 756,700	\$ 416,978	\$ 627,944	\$ 1,801,622
Investment return				
Investment income, net of fees	11,114	15,599	-	26,713
Realized and unrealized gains	25,470	37,147	-	62,617
Contributions	-	-	6,106	6,106
Appropriation of endowment assets for expenditure	(30,270)	(41,831)	-	(72,101)
Transfers to cover deficiencies	4,361	(4,361)	-	-
<i>Endowment net assets, end of year</i>	<u>\$ 767,375</u>	<u>\$ 423,532</u>	<u>\$ 634,050</u>	<u>\$ 1,824,957</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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	\$ 764,392	\$ -	\$ -	\$ 764,392
Donor-restricted endowment funds	(7,692)	416,978	627,944	1,037,230
<i>Total</i>	<u>\$ 756,700</u>	<u>\$ 416,978</u>	<u>\$ 627,944</u>	<u>\$ 1,801,622</u>

Changes in endowment account for the year ended March 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 702,559	\$ 365,235	\$ 619,294	\$ 1,687,088
Investment return				
Investment income, net of fees	20,198	25,560	-	45,758
Realized and unrealized gains	64,746	70,581	-	135,327
Contributions	-	-	8,650	8,650
Appropriation of endowment assets for expenditure	(31,651)	(43,550)	-	(75,201)
Transfers to cover deficiencies	848	(848)	-	-
<i>Endowment net assets, end of year</i>	<u>\$ 756,700</u>	<u>\$ 416,978</u>	<u>\$ 627,944</u>	<u>\$ 1,801,622</u>

Investments consist of:

March 31,	2018	2017
Board designated funds	\$ 767,375	\$ 756,700
Portion of perpetual endowment funds subject to time restriction under UPMIFA	423,532	416,978
Permanently restricted	634,050	627,944
<i>Endowment investments</i>	<u>1,824,957</u>	<u>1,801,622</u>
Yankee Farm Credit stock	1,000	1,000
Temporarily "purpose" restricted	976,506	972,754
<i>Total investments</i>	<u>\$ 2,802,463</u>	<u>\$ 2,775,376</u>

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

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### *Note 6. 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,	2018	2017
Markus Trust (perpetual income trust)	\$ 1,372,871	\$ 1,397,627
Chase Trust (perpetual income trust)	89,778	87,725
Pooled income fund	1,034,937	1,025,667
Charitable annuity fund	151,143	166,198
<i>Total split-interest agreements</i>	<u>\$ 2,648,729</u>	<u>\$ 2,677,217</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 \$25,633 and \$36,421 for the years ended March 31, 2018 and 2017, respectively.

The Society is the income beneficiary of revocable trust funds maintained by the New Hampshire Charitable Foundation. On March 31, 2018 and 2017, these funds had a market value of \$609,546 and \$516,766, respectively. Income distributions on these trust funds are recorded as contribution revenue when received, and amounted to \$24,727 and \$25,210 for the years ended March 31, 2018 and 2017, respectively.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Debt

Long-term debt consists of the following:

March 31,	2018	2017
Installment note payable, Yankee Farm Credit; converted from a variable interest rate to a fixed interest rate of 6.10% during the year ended March 31, 2018; payable in monthly installments principal and interest of \$4,414; due February 2038; collateralized by certain real estate of the Society located in Concord, Auburn, Antrim, and Marlborough, New Hampshire. On September 7, 2037, the balance will convert to the lender's variable interest rate unless the remaining balance is repaid or fixed for an additional period.	\$ 608,602	\$ 624,905
Less current portion	16,297	18,880
<i>Long-term debt, less current portion</i>	<u>\$ 592,305</u>	<u>\$ 606,025</u>

Aggregate maturities required on long-term debt at March 31, 2018 are as follows:

2019	\$ 16,297
2020	17,319
2021	18,406
2022	19,560
2023	20,787
Thereafter	516,233
<i>Total</i>	<u>\$ 608,602</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 \$35,144 and \$28,884 for the years ended March 31, 2018 and 2017, respectively.

### Note 8. Property and Equipment

Property and equipment consisted of the following:

March 31,	2018	2017
Land and improvements	\$ 8,157,935	\$ 8,157,935
Building and improvements	5,525,845	5,514,807
Equipment	311,970	311,970
Vehicles	57,116	57,116
	14,052,866	14,041,828
Less accumulated depreciation	2,729,096	2,576,822
<i>Property and equipment, net</i>	<u>\$ 11,323,770</u>	<u>\$ 11,465,005</u>



# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

March 31,	2018	2017
Split-interest agreements	\$ 1,104,197	\$ 1,091,022
Support of specific projects	3,006,417	3,050,951
Capital funds	89,750	89,750
Portion of perpetual endowment funds subject to time restriction under UPMIFA	423,532	416,978
Massabesic Audubon Center long-lived donated assets	390,774	413,494
<i>Total temporarily restricted net assets</i>	<u>\$ 5,014,670</u>	<u>\$ 5,062,195</u>

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

### Note 10. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

March 31,	2018	2017
Land held for conservation	\$ 6,469,510	\$ 6,469,510
Perpetual trusts	1,462,649	1,485,352
Center support	50,925	50,925
Sanctuary preservation and maintenance	306,205	306,205
Conservation	94,996	94,996
Programs	166,923	160,817
Collection	225,000	225,000
Other	15,000	15,000
<i>Total permanently restricted net assets</i>	<u>\$ 8,791,208</u>	<u>\$ 8,807,805</u>

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

### Note 11. 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:

(continued on next page)

# 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 on 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, 2018 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 107,896	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	102,335	-	-
Common stock:			
ETF - Domestic	1,203,823	-	-
Bond mutual funds:			
Domestic bonds	544,352	-	-
Mutual funds:			
Fixed Income	495,820	-	-
International	347,237	-	-
Split-interest agreements	-	-	2,648,729
Other investments	1,000	-	-
	<u>\$ 2,802,463</u>	<u>\$ -</u>	<u>\$ 2,648,729</u>

(continued on next page)

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

Fair value at March 31, 2017 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 12,863	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	146,598	-	-
Common stock:			
ETF - Domestic	486,394	-	-
ETF - Real Estate	197,302	-	-
Bond mutual funds:			
Domestic bonds	187,036	-	-
International bonds	296,175	-	-
Emerging markets	82,360	-	-
High yield bonds	318,223	-	-
Mutual funds:			
Emerging markets	237,849	-	-
Natural resources	173,513	-	-
Real estate	276,417	-	-
International	359,646	-	-
Split-interest agreements	-	-	2,677,217
Other investments	1,000	-	-
	<u>\$ 2,775,376</u>	<u>\$ -</u>	<u>\$ 2,677,217</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, 2018:

	Split Interest Agreements
Balance, beginning of year	\$ 2,677,217
Investment fees	(22,573)
Distributions	(25,633)
Total realized and unrealized gains, included in changes in net assets	19,718
Balance, end of year	<u>\$ 2,648,729</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>\$ 19,718</u>

(continued on next page)

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

The following table presents the change in Level 3 instruments for the year ended March 31, 2017:

	Split Interest Agreements
Balance, beginning of year	\$ 2,592,599
Investment fees	(22,461)
Distributions	(36,421)
Total realized and unrealized gains, included in changes in net assets	143,500
Balance, end of year	<u>\$ 2,677,217</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>\$ 143,500</u>

### *Note 12. 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, 2018 and 2017 were \$37,426 and \$36,801, respectively.

### *Note 13. Rental Activity*

The Society leases office space to tenants under non-cancelable operating leases with terms of one to five years, with options to renew for one term, at its Concord, NH facility. Tenants are also responsible for paying their proportionate share of certain utilities.

The following is a schedule by years of future minimum rentals under the leases at March 31, 2018:

2019	\$ 26,326
2020	24,042
2021	23,892
2022	24,360
<i>Total</i>	<u>\$ 98,620</u>

### *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 July 31, 2018, 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, 2018.

*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, 2018

	Program Services					Supporting Services		Total
	Conservation	Amoskeag Fishways	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Administrative and General	Membership, Development, and Communication	
Salaries and wages	\$ 335,266	\$ 133,749	\$ 22,325	\$ 188,542	\$ 302,444	\$ 83,700	\$ 192,739	\$ 1,258,765
Employee benefits	101,104	41,248	1,916	17,867	61,450	13,105	24,920	261,610
Depreciation and amortization	18,267	-	118	13,089	81,620	39,179	-	152,273
Repairs and maintenance	11,220	3,580	2,611	39,978	55,599	-	-	112,988
Program expenses	18,927	5,148	1,534	18,117	39,374	1,852	13,778	98,730
Insurance	15,767	-	1,126	8,789	11,204	23,206	-	60,092
Printing and postage	11,681	9,712	294	492	426	-	34,038	56,643
Professional services	10,376	-	978	5,876	7,920	24,563	-	49,713
Miscellaneous	8,612	195	47	2,832	13,675	15,743	4,133	45,237
Utilities	347	-	689	14,600	25,576	-	-	41,212
Outside services	20,799	-	918	100	-	8,684	10,446	40,947
Interest	3,392	-	-	2,427	15,607	13,718	-	35,144
Travel and entertainment	11,693	2,411	623	4,627	6,068	4,731	733	30,886
Equipment	761	2,045	-	5,388	21,641	125	8	29,968
Advertising	-	13,709	-	803	2,119	-	1,369	18,000
Office supplies	848	1,870	90	576	6,076	2,705	2,127	14,292
Telephone	240	-	771	4,320	7,070	1,232	-	13,633
Dues and subscriptions	100	295	25	1,495	1,852	507	846	5,120
Property taxes	4,760	-	-	-	-	-	-	4,760
Conferences and meetings	14	114	-	-	370	1,059	1,033	2,590
<i>Total expenses</i>	<i>\$ 574,174</i>	<i>\$ 214,076</i>	<i>\$ 34,065</i>	<i>\$ 329,918</i>	<i>\$ 660,091</i>	<i>\$ 234,109</i>	<i>\$ 286,170</i>	<i>\$ 2,332,603</i>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2017

	Program Services					Supporting Services		Total
	Conservation	Amoskeag Fishways	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Administrative and General	Membership, Development, and Communication	
Salaries and wages	\$ 332,658	\$ 146,880	\$ 32,078	\$ 198,899	\$ 301,455	\$ 81,908	\$ 191,039	\$ 1,284,917
Employee benefits	99,409	40,385	3,538	28,750	56,249	3,046	26,075	257,452
Depreciation and amortization	17,876	-	156	12,875	122,228	792	-	153,927
Outside services	33,020	-	687	315	9,904	65,047	25,662	134,635
Repairs and maintenance	15,310	746	2,076	26,658	42,571	-	-	87,361
Program expenses	12,413	9,118	357	15,093	30,683	5,525	5,165	78,354
Professional services	10,814	-	986	5,289	8,603	31,021	-	56,713
Printing and postage	12,292	9,159	185	1,514	1,420	309	30,718	55,597
Insurance	16,433	-	892	7,151	12,514	17,268	-	54,258
Equipment	1,664	1,655	1,417	4,328	24,665	12,123	320	46,172
Miscellaneous	2,839	201	179	5,862	5,273	26,317	4,826	45,497
Utilities	368	-	965	13,282	25,326	-	-	39,941
Travel and entertainment	12,644	2,814	686	6,286	9,562	2,003	1,863	35,858
Interest	3,500	-	-	2,505	16,107	6,772	-	28,884
Advertising	-	12,713	-	873	2,786	182	4,091	20,645
Office supplies	1,359	1,474	49	2,439	3,692	8,677	2,568	20,258
Telephone	240	-	706	3,556	7,380	1,019	-	12,901
Dues and subscriptions	-	604	50	1,195	1,605	50	903	4,407
Conferences and meetings	16	2	-	-	-	1,280	1,720	3,018
Property taxes	651	-	-	-	-	-	-	651
<i>Total expenses</i>	<i>\$ 573,506</i>	<i>\$ 225,751</i>	<i>\$ 45,007</i>	<i>\$ 336,870</i>	<i>\$ 682,024</i>	<i>\$ 263,339</i>	<i>\$ 294,950</i>	<i>\$ 2,421,447</i>