

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

FINANCIAL REPORT

MARCH 31, 2015

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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 statements of financial position of The Audubon Society of New Hampshire, which comprise the statements of financial position as of March 31, 2015 and 2014, 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, 2015 and 2014, 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.

*Nathan Wechsler & Company*  
Concord, New Hampshire  
October 16, 2015

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF FINANCIAL POSITION

March 31, 2015 and 2014

		ASSETS	
		2015	2014
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,316,862	\$ 1,392,318
Accounts receivable		62,643	48,993
Contributions receivable, net of allowance 2015 \$10,221; 2014 \$11,110		50,259	99,994
Merchandise inventories		24,276	23,455
Prepaid expenses		27,892	26,091
<i>Total current assets</i>		1,481,932	1,590,851
<b>PROPERTY AND EQUIPMENT, net</b>		11,671,309	11,847,341
<b>INVESTMENTS AND OTHER ASSETS</b>			
Investments		2,926,578	3,001,019
Split-interest agreements		2,035,743	2,066,950
Contributions receivable, net of allowance 2015 \$1,249; 2014 \$2,050 and discount 2015 \$1,458; 2014 \$1,458		4,687	17,924
Art collection		225,000	225,000
Other assets		3,961	7,128
<i>Total assets</i>	<b>\$</b>	<b>18,349,210</b>	<b>\$ 18,756,213</b>
<b>LIABILITIES AND NET ASSETS</b>			
		2015	2014
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt	\$	17,711	\$ 15,084
Current portion of gift annuity payable		19,100	19,100
Accounts payable and accrued expenses		31,602	43,338
Accrued payroll and related liabilities		90,937	94,304
Deferred revenue		70,240	114,788
Other current liabilities		18,201	19,260
<i>Total current liabilities</i>		247,791	305,874
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities		646,311	675,612
Gift annuity payable, excluding current portion		85,644	91,074
<i>Total liabilities</i>		731,955	766,686
<b>COMMITMENTS (See Notes)</b>			
<b>NET ASSETS</b>			
Unrestricted		3,969,215	3,936,458
Temporarily restricted		5,302,841	5,643,335
Permanently restricted		8,097,408	8,103,860
<i>Total net assets</i>		17,369,464	17,683,653
<i>Total liabilities and net assets</i>	<b>\$</b>	<b>18,349,210</b>	<b>\$ 18,756,213</b>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Years Ended March 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support, and releases								
Contributions	\$ 376,958	\$ 158,141	\$ -	\$ 535,099	\$ 268,819	\$ 172,226	\$ -	\$ 441,045
Bequests	98,069	-	-	98,069	470,442	1,156,306	-	1,626,748
Grants	83,266	141,500	-	224,766	56,100	51,150	-	107,250
Contracts	122,145	255,475	-	377,620	67,319	337,710	-	405,029
Memberships	112,853	-	-	112,853	127,003	-	-	127,003
Programs, events, and visitor fees	391,472	-	-	391,472	292,166	18,612	-	310,778
Sales of merchandise, net of cost of goods sold								
2015 \$59,213; 2014 \$50,813	33,210	-	-	33,210	30,743	-	-	30,743
Investment income from trusts	22,288	-	-	22,288	28,801	-	-	28,801
Investment spending draw	41,569	46,082	-	87,651	41,025	43,278	-	84,303
Other income	70,969	-	-	70,969	120,981	11,435	-	132,416
Net assets released from restrictions for satisfaction of program restrictions	929,860	(918,679)	(11,181)	-	1,878,703	(1,878,703)	-	-
<i>Total revenue (loss), support and releases</i>	<u>2,282,659</u>	<u>(317,481)</u>	<u>(11,181)</u>	<u>1,953,997</u>	<u>3,382,102</u>	<u>(87,986)</u>	<u>-</u>	<u>3,294,116</u>
Expenses								
Program service expenses								
Conservation	509,424	-	-	509,424	562,449	-	-	562,449
Amoskeag Fishways	182,126	-	-	182,126	192,500	-	-	192,500
Newfound Audubon Center	43,853	-	-	43,853	48,589	-	-	48,589
Massabesic Audubon Center	272,093	-	-	272,093	273,732	-	-	273,732
Silk Farm Audubon Center	623,961	-	-	623,961	595,848	-	-	595,848
Supporting services								
Administration and general	188,638	-	-	188,638	143,692	-	-	143,692
Membership, development, and communication	391,342	-	-	391,342	285,463	-	-	285,463
<i>Total expenses</i>	<u>2,211,437</u>	<u>-</u>	<u>-</u>	<u>2,211,437</u>	<u>2,102,273</u>	<u>-</u>	<u>-</u>	<u>2,102,273</u>
<i>Income (loss) from operations</i>	<u>71,222</u>	<u>(317,481)</u>	<u>(11,181)</u>	<u>(257,440)</u>	<u>1,279,829</u>	<u>(87,986)</u>	<u>-</u>	<u>1,191,843</u>
Nonoperating revenue and other changes in net assets								
Contributions	-	-	2,415	2,415	-	-	317,788	317,788
Investment income (loss), net of spending draw	(4,557)	(16,775)	-	(21,332)	51,855	90,318	-	142,173
Loss on sale of property and equipment	(33,908)	-	-	(33,908)	(529)	-	-	(529)
Loss on revaluation of art collection	-	-	-	-	-	-	(356,000)	(356,000)
Change in value of split-interest agreements	-	(6,238)	2,314	(3,924)	-	33,533	29,370	62,903
<i>Total change in net assets</i>	<u>32,757</u>	<u>(340,494)</u>	<u>(6,452)</u>	<u>(314,189)</u>	<u>1,331,155</u>	<u>35,865</u>	<u>(8,842)</u>	<u>1,358,178</u>
Net assets, beginning of year	3,936,458	5,643,335	8,103,860	17,683,653	2,605,303	5,607,470	8,112,702	16,325,475
Net assets, end of year	<u>\$ 3,969,215</u>	<u>\$ 5,302,841</u>	<u>\$ 8,097,408</u>	<u>\$ 17,369,464</u>	<u>\$ 3,936,458</u>	<u>\$ 5,643,335</u>	<u>\$ 8,103,860</u>	<u>\$ 17,683,653</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (314,189)	\$ 1,358,178
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
In-kind land donations	-	(343,318)
Depreciation and amortization	147,365	143,655
Loss on sale of property and equipment	33,908	529
Loss on revaluation of art collection	-	356,000
Realized and unrealized (gain) loss on investments	44,831	(101,970)
(Increase) decrease in value of split-interest agreements, net of change in related liabilities and proceeds from split-interest agreements	31,207	(22,852)
Restricted contributions	(2,415)	(28,220)
(Increase) decrease in accounts receivable	(13,650)	24,838
Decrease in contributions receivable	62,972	68,716
Increase in merchandise inventories	(821)	(8,484)
Increase in prepaid expenses	(1,801)	(16,638)
Decrease in accounts payable and accrued expenses	(11,736)	(14,828)
Decrease in accrued payroll and related liabilities	(3,367)	(78)
Decrease in deferred revenue	(44,548)	(58,149)
Increase (decrease) in other current liabilities	(1,059)	121
Decrease in gift annuity payable	(5,430)	(12,893)
<i>Net cash provided by (used in) operating activities</i>	<u>(78,733)</u>	<u>1,344,607</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(532,861)	(1,010,535)
Proceeds from sale of investments	562,469	947,762
Purchase of property and equipment	(21,914)	(27,977)
Proceeds from sale of assets	19,842	-
<i>Net cash provided by (used in) investing activities</i>	<u>27,536</u>	<u>(90,750)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of long-term debt	(26,674)	(1,038,579)
Restricted contributions	2,415	28,220
<i>Net cash used in financing activities</i>	<u>(24,259)</u>	<u>(1,010,359)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(75,456)	243,498
Cash and cash equivalents, beginning of year	1,392,318	1,148,820
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,316,862</u>	<u>\$ 1,392,318</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 31,504	\$ 63,040
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>		
Acquisition of property and equipment		
Cost of property and equipment	\$ 21,914	\$ 371,295
Donated land	-	(343,318)
<i>Cash paid for equipment</i>	<u>\$ 21,914</u>	<u>\$ 27,977</u>

# 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, 2015 and 2014.

**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.

**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.

**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.

**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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**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, 2015 and 2014, 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 2012.

**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 \$214,000 at March 31, 2015.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

*Note 4. Contributions Receivable*

Unconditional promises to give 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,	2015	2014
In one year or less	\$ 60,480	\$ 111,104
Between one year and five years	7,394	21,432
Less: present value discount	1,458	1,458
Less: allowance for uncollectible contributions receivable	11,470	13,160
<i>Total</i>	\$ 54,946	\$ 117,918

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,	2015	2014
Cash and cash equivalents	\$ 6,753	\$ 86,167
Corporate stocks	498,525	693,847
U.S. Government securities	146,629	142,267
Bond mutual funds	922,704	896,648
Equity mutual funds	1,350,967	1,181,090
Other investments	1,000	1,000
<i>Total investments</i>	\$ 2,926,578	\$ 3,001,019

Investment income consists of the following:

March 31,	2015	2014
Interest and dividends, net of investment fees of \$23,747 in 2015; \$9,745 in 2014	\$ 111,150	\$ 124,505
Realized and unrealized gains (losses)	(44,831)	101,970
<i>Total investment income</i>	\$ 66,319	\$ 226,475

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 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 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 \$1,026 and \$351 as of March 31, 2015 and 2014. 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, \$87,648 and \$84,303 was appropriated for expenditure for years ended March 31, 2015 and 2014, respectively.

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)
Recovery of funds with 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>

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

The composition of the endowment account as of March 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 821,811	\$ -	\$ -	\$ 821,811
Donor-restricted endowment funds	(351)	510,183	611,459	1,121,291
<i>Total</i>	<u>\$ 821,460</u>	<u>\$ 510,183</u>	<u>\$ 611,459</u>	<u>\$ 1,943,102</u>

Changes in endowment account for the year ended March 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 727,646	\$ 488,344	\$ 583,239	\$ 1,799,229
Investment return				
Investment income, net of fees	23,147	27,240	-	50,387
Realized and unrealized gains	32,074	38,087	-	70,161
Contributions	79,408	-	28,220	107,628
Appropriation of endowment assets for expenditure	(41,025)	(43,278)	-	(84,303)
Recovery of funds with deficiencies	210	(210)	-	-
Endowment net assets, end of year	<u>\$ 821,460</u>	<u>\$ 510,183</u>	<u>\$ 611,459</u>	<u>\$ 1,943,102</u>

Investments consist of:

March 31,	2015	2014
Board designated funds	\$ 799,700	\$ 821,460
Portion of perpetual endowment funds subject to time restriction under UPMIFA	481,952	510,183
Permanently restricted	613,874	611,459
<i>Endowment investments</i>	<u>1,895,526</u>	<u>1,943,102</u>
Yankee Farm Credit stock	1,000	1,000
Temporarily "purpose" restricted	1,030,052	1,056,917
<i>Total investments</i>	<u>\$ 2,926,578</u>	<u>\$ 3,001,019</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,	2015	2014
Markus Trust (perpetual income trust)	\$ 702,920	\$ 702,709
Chase Trust (perpetual income trust)	86,105	84,001
Pooled income fund	1,043,921	1,061,333
Charitable annuity fund	202,797	218,907
<i>Total split-interest agreements</i>	<u>\$ 2,035,743</u>	<u>\$ 2,066,950</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 \$35,217 and \$27,030 for the years ended March 31, 2015 and 2014, respectively.

The Society is the income beneficiary of revocable trust funds maintained by the New Hampshire Charitable Foundation. On March 31, 2015 and 2014, these funds had a market value of \$530,853 and \$516,412, respectively. Income distributions on these trust funds are recorded as contribution revenue when received, and amounted to \$20,091 and \$26,259 for the years ended March 31, 2015 and 2014, 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,	2015	2014
Variable note payable, Yankee Farm Credit, due in monthly installments of principal and interest (4.75% at March 31, 2015) 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.	\$ 664,022	\$ 690,696
Less current portion	17,711	15,084
<i>Long-term debt, less current portion</i>	<b>\$ 646,311</b>	<b>\$ 675,612</b>

Aggregate maturities required on long-term debt at March 31, 2014 are as follows:

2016	\$ 17,711
2017	18,571
2018	19,473
2019	20,418
2020	21,409
Thereafter	566,440
<i>Total</i>	<b>\$ 664,022</b>

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 \$31,504 and \$63,040 for the years ended March 31, 2015 and 2014, respectively.

*Note 9. Property and Equipment*

Property and equipment consisted of the following:

March 31,	2015	2014
Land and improvements	\$ 8,157,935	\$ 8,211,685
Building and improvements	5,428,179	5,428,179
Equipment	311,970	290,056
Vehicles	57,115	57,115
	13,955,199	13,987,035
Less accumulated depreciation	2,283,890	2,139,694
<i>Property and equipment, net</i>	<b>\$ 11,671,309</b>	<b>\$ 11,847,341</b>

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,	2015	2014
Split-interest agreements	\$ 1,096,558	\$ 1,102,797
Support of specific projects	3,175,647	3,458,741
Capital funds	89,750	89,750
Portion of perpetual endowment funds subject to time restriction under UPMIFA	481,952	510,393
Massabesic Audubon Center long-lived donated assets	458,934	481,654
<i>Total temporarily restricted net assets</i>	<b>\$ 5,302,841</b>	<b>\$ 5,643,335</b>

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,	2015	2014
Land held for conservation	\$ 6,469,510	\$ 6,480,691
Perpetual trusts	789,025	786,710
Center support	50,925	50,925
Sanctuary preservation and maintenance	306,205	306,205
Conservation	80,926	78,512
Programs	160,817	160,817
Collection	225,000	225,000
Other	15,000	15,000
<i>Total permanently restricted net assets</i>	<b>\$ 8,097,408</b>	<b>\$ 8,103,860</b>

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:

*(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 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, 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>

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Fair value at March 31, 2014 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 86,167	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	142,267	-	-
Common stock:			
ETF - Domestic	462,156	-	-
ETF - Energy infrastructure	231,691	-	-
Bond mutual funds:			
Corporate bonds	170,264	-	-
International bonds	407,429	-	-
High yield bonds	318,955	-	-
Mutual funds:			
Emerging markets	246,387	-	-
Real estate	291,753	-	-
International	642,950	-	-
Split-interest agreements	-	-	2,066,950
Other investments	1,000	-	-
	<u>\$ 3,001,019</u>	<u>\$ -</u>	<u>\$ 2,066,950</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, 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>\$ 2,035,743</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>\$ 16,731</u>

(continued on next page)

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, 2014:

	<b>Split Interest Agreements</b>
Balance, beginning of year	\$ 2,044,098
Investment fees	(20,729)
Distributions	(63,448)
Total realized and unrealized gains, included in changes in net assets	107,029
Balance, end of year	<u>\$ 2,066,950</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>\$ 107,029</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, 2015 and 2014 were \$39,861 and \$35,029, 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 October 16, 2015, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date.

During August 2015, the Society received an unrestricted bequest in the amount of approximately \$132,000.

No additional subsequent events were identified that would require disclosure in the financial statements for the year ended March 31, 2015.

*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.



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

**INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION**

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

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  
October 16, 2015

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2015

	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	\$ 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>\$ 2,211,437</b>	

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2014

	2014								
	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	\$ 340,626	\$ 118,128	\$ 30,704	\$ 160,682	\$ 265,829	\$ 32,574	\$ 198,620	\$ 1,147,163	
Employee benefits	86,312	44,477	3,747	20,720	42,753	5,715	36,948	240,672	
Program expenses	2,103	4,534	740	9,833	5,918	25	5,641	28,794	
Printing and postage	14,051	6,916	1,190	3,619	6,661	101	29,382	61,920	
Office supplies	487	1,216	103	1,241	8,007	3,275	1,759	16,088	
Travel and entertainment	14,620	2,222	61	4,706	6,583	49	855	29,096	
Advertising	990	13,506	120	822	3,879	-	210	19,527	
Outside services	37,592	-	78	531	14,716	950	6,707	60,574	
Professional services	1,934	-	1,281	1,230	3,245	33,702	60	41,452	
Conferences and meetings	1,196	135	-	-	141	292	312	2,076	
Dues and subscriptions	48	145	80	-	453	50	2,084	2,860	
Repairs and maintenance	19,827	15	5,571	17,953	45,304	-	-	88,670	
Utilities	823	-	662	19,267	26,358	-	-	47,110	
Telephone	941	-	750	4,008	7,880	-	-	13,579	
Equipment	506	1,001	7	1,509	26,674	-	250	29,947	
Insurance	14,017	-	1,182	6,601	13,017	9,323	-	44,140	
Interest	8,094	-	-	-	37,246	17,700	-	63,040	
Depreciation and amortization	16,528	-	2,183	17,706	70,485	36,753	-	143,655	
Property taxes	1,555	-	-	-	-	-	-	1,555	
Miscellaneous	199	205	130	3,304	10,699	3,183	2,635	20,355	
<i>Total expenses</i>	<b>\$ 562,449</b>	<b>\$ 192,500</b>	<b>\$ 48,589</b>	<b>\$ 273,732</b>	<b>\$ 595,848</b>	<b>\$ 143,692</b>	<b>\$ 285,463</b>	<b>\$ 2,102,273</b>	