

NEW HAMPSHIRE HISTORICAL SOCIETY

FINANCIAL REPORT

SEPTEMBER 30, 2012

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Hampshire Historical Society
Concord, New Hampshire 03301

We have audited the accompanying statement of financial position of New Hampshire Historical Society as of September 30, 2012, and the related statement of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. We previously audited and reported on the financial statements of the New Hampshire Historical Society for the year ended September 30, 2011, dated March 8, 2012, which condensed statements are presented for comparative purposes only.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Historical Society as of September 30, 2012, and the results of its operations and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Nathan Wechsler & Company
Concord, New Hampshire
March 14, 2013

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF FINANCIAL POSITION

September 30, 2012 and Comparative Totals for 2011

	ASSETS			2012	2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
CURRENT ASSETS					
Cash	\$ 54,706	\$ 361,677	\$ -	\$ 416,383	\$ 334,456
Accounts receivable	1,781	-	-	1,781	1,824
Contributions receivable, current, net of allowance for doubtful accounts of \$22,309	23,151	158,533	19,107	200,791	48,379
Inventory	71,740	-	-	71,740	84,835
Prepaid expenses	79,446	-	-	79,446	45,157
<i>Total current assets</i>	230,824	520,210	19,107	770,141	514,651
PROPERTY AND EQUIPMENT, NET	3,986,635	-	-	3,986,635	4,176,214
COLLECTIONS (Note 15)	-	-	-	-	-
INVESTMENTS AND OTHER ASSETS					
Investments	6,372,617	1,619,499	2,559,091	10,551,207	9,163,410
Beneficial interest in a trust	-	-	1,472,882	1,472,882	1,459,096
Charitable gift annuity	-	295,162	-	295,162	-
Contributions receivable, long-term, net of allowance for doubtful accounts of \$58,618 and discount of \$50,193	54,557	371,426	51,371	477,354	140,288
Cash surrender value of life insurance	38,716	-	-	38,716	34,243
<i>Total assets</i>	\$ 10,683,349	\$ 2,806,297	\$ 4,102,451	\$ 17,592,097	\$ 15,487,902
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Line-of-credit	\$ 249,895	\$ -	\$ -	\$ 249,895	\$ 249,895
Accounts payable	49,896	-	-	49,896	108,508
Accrued expenses	157,350	-	-	157,350	130,533
Deferred revenue	20,434	-	-	20,434	20,314
Current portion of annuity payable	-	11,965	-	11,965	-
<i>Total current liabilities</i>	477,575	11,965	-	489,540	509,250
LONG-TERM LIABILITIES					
Annuity payable, less current portion	-	188,378	-	188,378	-
<i>Total liabilities</i>	477,575	200,343	-	677,918	509,250
NET ASSETS, as restated					
Unrestricted:					
Net investment in property and equipment	3,986,635	-	-	3,986,635	4,176,214
Designated:					
Operations	15,911	-	-	15,911	15,880
Investments	2,460,899	-	-	2,460,899	2,113,766
Undesignated:					
Operations	(169,389)	-	-	(169,389)	(199,609)
Investments	3,911,718	-	-	3,911,718	3,361,667
Temporarily restricted	-	2,605,954	-	2,605,954	1,532,200
Permanently restricted	-	-	4,102,451	4,102,451	3,978,534
<i>Total net assets</i>	10,205,774	2,605,954	4,102,451	16,914,179	14,978,652
<i>Total liabilities and net assets</i>	\$ 10,683,349	\$ 2,806,297	\$ 4,102,451	\$ 17,592,097	\$ 15,487,902

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

September 30, 2012 and Comparative Totals for 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
OPERATING ACTIVITIES:					
Revenues					
Contributed support					
Contributions and memberships	\$ 379,321	\$ -	\$ -	\$ 379,321	\$ 326,500
Grants, gifts, and fundraising	66,232	114,436	10,460	191,128	184,603
Contributed goods and services	6,393	-	-	6,393	24,936
<i>Total contributed support</i>	<u>451,946</u>	<u>114,436</u>	<u>10,460</u>	<u>576,842</u>	<u>536,039</u>
Earned revenues					
Earned income and special events	226,165	-	-	226,165	220,090
Rental income	669,298	-	-	669,298	669,261
<i>Total earned revenues</i>	<u>895,463</u>	<u>-</u>	<u>-</u>	<u>895,463</u>	<u>889,351</u>
Investment income					
Kimball Trust and Watson Trust income	70,897	-	-	70,897	83,666
Other investment income	136	-	-	136	260
Endowment spending draw in accordance with investment policy	303,630	193,098	-	496,728	495,018
Release of current year endowment draw for satisfaction of program restrictions	146,738	(146,738)	-	-	-
<i>Total investment income</i>	<u>521,401</u>	<u>46,360</u>	<u>-</u>	<u>567,761</u>	<u>578,944</u>
Total revenues	<u>1,868,810</u>	<u>160,796</u>	<u>10,460</u>	<u>2,040,066</u>	<u>2,004,334</u>
Net assets released from restrictions:					
For satisfaction of program restrictions	273,381	(273,381)	-	-	-
Expenses					
Program service expenses					
Museum	243,562	-	-	243,562	317,140
Exhibitions	121,098	-	-	121,098	117,480
Library	299,825	-	-	299,825	283,280
Education	151,132	-	-	151,132	201,102
Publications	154,142	-	-	154,142	93,026
Museum store and visitor services	104,516	-	-	104,516	112,026
Buildings, grounds, and security	11,980	-	-	11,980	13,307
<i>Total program service expenses</i>	<u>1,086,255</u>	<u>-</u>	<u>-</u>	<u>1,086,255</u>	<u>1,137,361</u>
Collection items acquired by purchase					
Museum	32,763	-	-	32,763	29,427
Library	53,017	-	-	53,017	72,243
<i>Total collection items acquired by purchase</i>	<u>85,780</u>	<u>-</u>	<u>-</u>	<u>85,780</u>	<u>101,670</u>
Supporting services and general expenses					
Membership, development, and public relations	309,913	-	-	309,913	336,921
Administration	254,434	-	-	254,434	213,206
Depreciation expense from operations	156,284	-	-	156,284	158,190
<i>Total supporting services and general expenses</i>	<u>720,631</u>	<u>-</u>	<u>-</u>	<u>720,631</u>	<u>708,317</u>
Rental expenses, including depreciation of \$39,672	308,466	-	-	308,466	336,471
Total expenses	<u>2,201,132</u>	<u>-</u>	<u>-</u>	<u>2,201,132</u>	<u>2,283,819</u>
<i>Increase (decrease) in net assets from operating activities</i>	<u>\$ (58,941)</u>	<u>\$ (112,585)</u>	<u>\$ 10,460</u>	<u>\$ (161,066)</u>	<u>\$ (279,485)</u>

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

September 30, 2012 and Comparative Totals for 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
<i>Increase (decrease) in net assets from operating activities</i>	\$ (58,941)	\$ (112,585)	\$ 10,460	\$ (161,066)	\$ (279,485)
NON-OPERATING ACTIVITIES:					
Capital campaign					
Capital campaign contributions	40	810,007	99,671	909,718	181,376
Capital campaign expenses	(74,439)	-	-	(74,439)	(87,573)
Net assets released from restrictions for capital campaign expenses	74,399	(74,399)	-	-	-
<i>Net capital campaign</i>	-	735,608	99,671	835,279	93,803
Investment return					
Realized and unrealized investment gains (losses)	887,430	505,992	-	1,393,422	(431,883)
Investment expenses	(15,788)	(8,894)	-	(24,682)	(25,513)
Investment income, actual dividends and interest	228,785	146,731	-	375,516	406,137
Change in value of beneficial interest in a trust	-	-	13,786	13,786	(77,234)
<i>Total investment return</i>	1,100,427	643,829	13,786	1,758,042	(128,493)
Less endowment spending draw	303,630	193,098	-	496,728	495,018
Loss on disposal of equipment	-	-	-	-	(689)
<i>Increase (decrease) in net assets from non-operating activities</i>	796,797	1,186,339	113,457	2,096,593	(530,397)
<i>Increase (decrease) in net assets</i>	737,856	1,073,754	123,917	1,935,527	(809,882)
Net assets, beginning of year, as originally stated	8,289,756	2,282,615	4,406,281	14,978,652	15,788,534
Prior period adjustments (see Note 23)	1,178,162	(750,415)	(427,747)	-	-
Net assets, beginning of year, restated	9,467,918	1,532,200	3,978,534	14,978,652	15,788,534
Net assets, end of year	\$ 10,205,774	\$ 2,605,954	\$ 4,102,451	\$ 16,914,179	\$ 14,978,652

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS

September 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,935,527	\$ (809,882)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	195,956	199,237
Bad debt expense	70,194	10,783
Loss on disposal of equipment	-	689
Change in charitable gift annuity	(94,819)	-
Realized and unrealized (gain) loss on investments	(1,393,422)	431,883
(Increase) decrease in value of beneficial interest in a trust	(13,786)	77,234
Increase in cash surrender value of life insurance	(4,473)	(3,026)
Receipt of gifts restricted to endowment and capital campaign	(216,069)	(76,176)
Decrease in inventory	13,095	11,602
Increase in prepaid expenses	(34,289)	(3,396)
Increase in contributions receivable	(559,672)	(137,321)
Decrease in accounts receivable	43	5,291
Increase (decrease) in accounts payable and accrued expenses	(31,795)	45,310
Increase (decrease) in deferred revenue	120	(130)
<i>Net cash used in operating activities</i>	<u>(133,390)</u>	<u>(247,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,468,418	2,325,187
Purchase of investments	(1,462,793)	(2,200,396)
Purchase of property and equipment	(6,377)	(42,600)
<i>Net cash provided by (used in) investing activities</i>	<u>(752)</u>	<u>82,191</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of gifts restricted to endowment and capital campaign	216,069	76,176
<i>Net cash provided by financing activities</i>	<u>216,069</u>	<u>76,176</u>
<i>Net increase (decrease) in cash</i>	81,927	(89,535)
Cash, beginning of year	<u>334,456</u>	<u>423,991</u>
<i>Cash, end of year</i>	<u><u>\$ 416,383</u></u>	<u><u>\$ 334,456</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 8,130	\$ 6,532

Note 1. Nature of Activities

The New Hampshire Historical Society ("the Society") is a voluntary not-for-profit organization incorporated under the laws of the State of New Hampshire and organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The purpose of the Society is to educate a diverse public about the significance of New Hampshire's past and its relationship to our lives today. In support of this mission, the Society collects, preserves and interprets materials pertaining to New Hampshire history. The Society operates a library, a historical museum with exhibits, and rental real estate property, all located in Concord, New Hampshire. The Society's current programs include the following:

Library and Museum: The Society collects and preserves the most extensive collection of objects, books, manuscripts, and images related to New Hampshire history that can be found anywhere. These collections offer the most complete picture available of the social, economic, political, and cultural history of New Hampshire over nearly four centuries.

Education: The Society offers a diverse range of educational program offerings, including research services, exhibitions, publications, school programs, public programs, technical services and support of local historical societies, and its website.

Museum store: The Society operates a museum store, which sells books and goods related to New Hampshire and its history as well as New Hampshire-made products.

Note 2. Significant Accounting Policies

Basis of accounting: The financial statements of the Society have been prepared on the accrual basis. Under the accrual basis, 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.

Estimates and assumptions: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results may differ from those estimates.

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.

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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 both undesignated and designated net assets, which are the revenues not restricted by outside sources and revenues designated by the Board of Trustees for special purposes and their related expenses.

Temporarily restricted net assets include gifts and pledges for which time and donor-imposed restrictions have not yet been met, 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.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributed collection items are not capitalized or recognized in the statement of activities (see Note 15).

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 received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase in unrestricted net assets.

Included in support are gifts in-kind which are valued at fair value at the date of the gift.

Cash and cash equivalents: For purposes of reporting cash flows, the Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. It is the Society's policy to consider such cash equivalents to be investments. Cash equivalents reported as investments in the statement of financial position amounted to \$843,606 at September 30, 2012.

Contributions receivable: Unconditional contributions receivable are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Conditional promises to give are not included in the financial statements. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the receivable balances. It is the Society's policy to charge off uncollectible receivables when management determines the receivable will not be collected. The allowance for doubtful accounts at September 30, 2012 amounted to \$80,927. Bad debt expense for the year ended September 30, 2012 amounted to \$70,194 and related primarily to the increase in the allowance for doubtful accounts.

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Advertising: The Society expenses all advertising costs as incurred. Advertising amounted to \$6,987 for the fiscal year ended September 30, 2012.

Inventories: Inventories are valued at the lower of cost or market, on the first-in, first-out basis (FIFO), and consist of books and gifts for sale in the Society's gift shop.

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. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance has been recorded as all receivables are considered collectible at September 30, 2012.

Investments: The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Other investments are reflected at net asset value as reported by the investment manager, and may differ from the values that would have been reported had a ready market for these securities existed. The Society reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value. Investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

Investment pools: The Society maintains three investment accounts for its donor-restricted and board-designated endowments. The Society establishes a spending limit based on a total return policy of utilizing income from the Society's pooled investment portfolio. Under this policy, the Board of Trustees sets the spending limit for the upcoming year based on anticipated long-term yields. For the year ended September 30, 2012, the spending limit was based on 5% of the average fair value of the investment portfolio determined over a five-year period.

Derivative instruments: The Society accounts for derivative instruments at fair value. The fair value of the derivatives held is based upon values provided by third-party investment managers and is assessed by management for reasonableness.

Property and equipment: Maintenance, repairs, and minor renewals are expensed as incurred. Purchases, renewals, and betterments in excess of \$500 are capitalized. Provision for depreciation is made using the straight-line method by annual charges calculated to absorb the costs over the following estimated useful lives:

	Years
Buildings and improvements	7-39
Furniture and equipment	5-7

Depreciation expense amounted to \$195,956, of which \$39,672 is included in rental expenses.

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Income taxes: The Society is a not-for-profit organization exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation; however, certain unrelated business income is subject to federal taxation. For the year ended September 30, 2012, 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 years before 2009.

Designation of unrestricted net assets: It is the policy of the Board of Trustees of the Society to review its plans for future property improvements and acquisitions, as well as other operating needs, from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such purposes.

Deferred revenue: Deferred revenue consists of prepaid tenant rent, and remains as a liability at year-end until the revenue is earned.

Comparative financial information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended September 30, 2011, from which the summarized information was derived.

Shipping and handling: Freight billed to customers is considered sales revenue and the related freight costs as a cost of sales.

Note 3. Investments

The fair values of the Society's investments at September 30, 2012 were comprised of the following:

Cash	\$ 843,606
Equities:	
Common stocks	1,644,907
Private equities	1,595,921
Global stocks	3,175,104
Total return assets - equity oriented	62,257
Fixed income high yield and other bonds	124,514
Fixed income corporate and government bonds	534,122
Fixed income total return assets - credit oriented	62,257
Mutual funds	454,040
Hedging assets	2,054,479
<i>Total</i>	<u>\$ 10,551,207</u>

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Investment return for September 30, 2012 is summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Unrealized gains	\$ 880,646	\$ 501,509	\$ 1,382,155
Realized gains	6,784	4,483	11,267
Investment expenses	(15,788)	(8,894)	(24,682)
Investment income, dividends and interest	228,785	146,731	375,516
	<u>\$ 1,100,427</u>	<u>\$ 643,829</u>	<u>\$ 1,744,256</u>
Endowment spending draw	\$ 303,630	\$ 196,921	\$ 500,551
Unspent withdrawals returned to investment	-	3,823	3,823
Net investment return per spending draw	<u>\$ 303,630</u>	<u>\$ 193,098</u>	<u>\$ 496,728</u>

Note 4. 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 September 30, 2009. The Society's endowment consists of approximately forty-five named funds established for specific educational or program purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including 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 has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Society to appropriate for expenditure or accumulate so much of an endowment fund as the Society determines is 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 organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

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 or UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$8,722, as of September 30, 2012.

Investment Return Objectives, Risk Parameters and Strategies: The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a total return sufficient to ensure that capital is preserved and enhanced over time, both in real and nominal terms, while providing a dependable source of liquid financial assets for the Society's current operations and programs. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to provide for an annual distribution of 5%, while growing the funds if possible. Therefore, the Society expects its endowment assets, over time, to produce an average rate of return in excess of 5%. 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 not expose the fund to unacceptable levels of risk.

Spending Policy: The Society has a policy of appropriating for distribution each year 5% of its endowment fund's average market value of the pooled investment portfolio of the twenty prior quarters through the second calendar quarter proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Society expects the current spending policy to allow its endowment funds to grow at a nominal average rate 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.

Endowment net asset composition by type of fund as of September 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (8,722)	\$ 1,619,499	\$ 2,559,091	\$ 4,169,868
Board-designated endowment Funds	2,460,899	-	-	2,460,899
<i>Total</i>	<u>\$ 2,452,177</u>	<u>\$ 1,619,499</u>	<u>\$ 2,559,091</u>	<u>\$ 6,630,767</u>

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Endowment net assets as of September 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 880,829	\$ 1,919,184	\$ 2,946,954	\$ 5,746,967
Prior period adjustment (Note 23)	1,178,162	(750,415)	(427,747)	-
Investment return:				
Investment income	84,992	146,731	-	231,723
Net appreciation (realized and unrealized)	314,920	543,151	-	858,071
<i>Total investment return</i>	<u>399,912</u>	<u>689,882</u>	-	<u>1,089,794</u>
Contributions	62,010	-	39,884	101,894
Appropriation of endowment assets for expenditure	(114,790)	(193,098)	-	(307,888)
Recoveries of deficiencies	<u>46,054</u>	<u>(46,054)</u>	-	-
Endowment net assets, end of year	<u>\$ 2,452,177</u>	<u>\$ 1,619,499</u>	<u>\$ 2,559,091</u>	<u>\$ 6,630,767</u>

Note 5. Fair Value Measurements

The Fair Value Measurements topic of the FASB Accounting Standards Codification (FASB ASC 820-10) defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair-value measurements. FASB ASC 820-10 is effective for all financial and non financial assets and liabilities and any other assets and liabilities that are recognized or disclosed at fair value on a recurring basis.

In addition to defining fair value, FASB ASC 820-10 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- 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, certificates of deposit and certain money market accounts. The Society has valued its investments, listed on national exchanges at the last sales price as of the day of valuation.

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

- 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 at September 30, 2012:

	Level 1	Level 2	Level 3
Investments:			
UBS:			
Money market funds	\$ 96,523	\$ -	\$ -
Equities:			
Common stock	1,644,907	-	-
Fixed income:			
Corporate bonds and notes	534,122	-	-
Mutual funds	454,040	-	-
TIFF Multi-Asset Fund	-	6,225,694	-
Omega Overseas Partners LTD - Class B Series	-	-	1,595,921
<i>Total investments</i>	<u>2,729,592</u>	<u>6,225,694</u>	<u>1,595,921</u>
Charitable gift annuity - Wellington Fund Admiral	295,162	-	-
Beneficial interest in a trust	-	-	1,472,882
	<u>\$ 3,024,754</u>	<u>\$ 6,225,694</u>	<u>\$ 3,068,803</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2012:

	Beneficial Interest in a Trust	Omega Overseas Partners
Balance, beginning of year	\$ 1,459,096	\$ 1,154,466
Total realized and unrealized gains, included in changes in net assets	<u>13,786</u>	<u>441,455</u>
Balance, end of year	<u>\$ 1,472,882</u>	<u>\$ 1,595,921</u>
Amount of unrealized gains attributable to assets still held at the reporting date, included in changes in net assets	<u>\$ 13,768</u>	<u>\$ 441,555</u>

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

All assets and liabilities have been valued using a market or income approach and have been consistently applied. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Note 6. 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%.

Unconditional promises to give are expected to be realized in the following periods:

September 30,	2012
In one year or less	\$ 223,100
Between one year and five years	586,165
Present value discount	(50,193)
Allowance for uncollectible contributions receivable	(80,927)
<i>Total</i>	<u>\$ 678,145</u>

Approximately seventy percent of total undiscounted contributions receivable, or \$564,077, represents promises to give by board members or employees.

Note 7. Unemployment Compensation

The Society has elected not to participate in the New Hampshire Unemployment Compensation Fund. The Society participates in a self-insured plan. As such, the Society is liable to pay any benefits in excess of its reserve to terminated employees who would have otherwise been eligible for unemployment benefits from the State of New Hampshire. The reserve fund balance is recorded as a prepaid expense on the statement of financial position. As of September 30, 2012, the unemployment fund balance amounted to \$20,059.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 8. Property and Equipment

Property and equipment as of September 30, 2012 is comprised as follows:

	<u>Property Used In Operations</u>	<u>Rental Property</u>	<u>Total</u>
Land	\$ -	\$ 200,000	\$ 200,000
Land improvements, parking lots	63,473	324,689	388,162
Buildings	855,715	636,681	1,492,396
Building improvements	4,174,120	627,320	4,801,440
Equipment and fixtures	946,852	-	946,852
Permanent exhibit	153,296	-	153,296
	<u>6,193,456</u>	<u>1,788,690</u>	<u>7,982,146</u>
Less: accumulated depreciation	3,095,218	900,293	3,995,511
Property and equipment, net	<u>\$ 3,098,238</u>	<u>\$ 888,397</u>	<u>\$ 3,986,635</u>

It has been determined by management the "Land" allocation for property used in operations may have originally had no material cost at acquisition, and therefore has no material cost separate from the buildings constructed on the land.

Note 9. Designated Net Assets

The Board's designated funds are comprised of the principal and/or earnings from certain gifts and bequests to be used for specific educational or program purposes, rather than the donor's intent for general operations.

The Society's Board-designated net assets at September 30, 2012 are comprised as follows:

<u>Operations designations:</u>	
Plant fund operating cash	<u>\$ 15,911</u>
<u>Designated funds:</u>	
Katharine Prentis Murphy Fund	1,336,610
John L. Frisbee Education Fund	62,851
Plant - for building repairs and maintenance	215,334
Library collections care and acquisitions	142,319
Publications	119,940
June Campbell Hoyt Fund	397,877
Museum collections care and acquisitions	51,564
Elizabeth Hoyt Fund	71,534
Museum Collections Stewardship Fund	2,093
Bequests	60,777
<i>Total</i>	<u>2,460,899</u>
<i>Total designations</i>	<u>\$ 2,476,810</u>

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 10. Temporarily Restricted Net Assets

The Society's temporarily restricted net assets at September 30, 2012 are comprised as follows:

Museum care and collections	\$ 2,470
Prentis Murphy – museum acquisitions	14,899
Prentis Murphy – conservation	5,295
Baker – Gibson Secretary Conservation	6,700
Museum deaccession	647
Freeman Jewell Fund	7,761
Edward and Elizabeth Lathem Fund	1,439
William C. Todd Fund	13,181
Library catalogue project	25,946
Digitization project	500
Library deaccession	74,714
Benjamin Couch Trust	1,200
Duncan S. McGowan Memorial Fund	1,316
Capital campaign	205,609
Capital campaign - pledges	529,959
Charitable gift annuity	94,819
Portion of perpetual endowment funds under UPMIFA	<u>1,619,499</u>
<i>Total temporarily restricted net assets</i>	<u><u>\$ 2,605,954</u></u>

Note 11. Permanently Restricted Net Assets

The Society's permanently restricted net assets at September 30, 2012 are comprised as follows:

Permanently restricted receivables	<u>\$ 70,478</u>
<u>Permanently restricted funds:</u>	
Edith Atkins Fund	5,000
Lane Dwinneel Fund	25,000
Concord Tower Clock Fund	27,053
Raymond S. Vaughan Baseball Fund	15,000
Mary W. Vaughan Fund	10,000
Mary H. Woodbury Fund	66,325
Perry-Dudley Family Archive and Shepard Collection Fund	39,070
John L. Frisbee Education Fund	778,350
Ruth Pearson Fund	109,528
Duncan S. McGown Memorial Fund	22,785
Edith Shepard Freeman/Margaret H. Jewell Fund	683,414
William C. Todd Fund	17,000
Edward C. and Elizabeth F. Lathem Fund	12,025

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Leonard K. Dodge Fund	25,700
Philip B. and Nelle L. Holmes Fund	42,756
Roger F. Woodman Fund	25,000
Asa Currier Tilton Fund	36,000
Jere R. Daniell Publications Fund	20,000
Charles S. Parsons Fund	33,142
George D. Sawyer Memorial Fund	51,185
Annalee Thorndike Fund	25,000
Natalie Hoyt Fund	88,783
Robert O. Wilson, D.D.S. Historical Research Fund	25,375
Evelyn Arell Trust	117,750
Anonymous	75,000
Life memberships	101,850
David G. Stahl Fund	10,000
Frances M. Heald	50,000
Swenson Fund	20,000
Capital Campaign Fund	1,000
Beneficial interest in a trust (see Note 16)	<u>1,472,882</u>
<i>Total</i>	<u>4,031,973</u>
 <i>Total permanently restricted net assets</i>	 <u>\$ 4,102,451</u>

Endowment net assets are primarily for education, collections, and operational support.

Note 12. Retirement Plan

The Society has a defined contribution retirement plan that covers all full-time employees who have worked in at least one of the past three years. The Society matches employee contributions to the plan up to a maximum of 5% of qualifying employee's earnings. Retirement benefit expenses for the year ended September 30, 2012 amounted to \$28,433.

Note 13. Revolving Line-of-Credit

The Society has a \$250,000 revolving line-of-credit with no stated expiration date. Bank advances on the credit line are payable on demand and carry an interest rate equal to the prime rate (3.25% at September 30, 2012). As of September 30, 2012, the outstanding balance on the line-of-credit was \$249,895.

NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 14. Rental Activity

The Society leases office space to tenants under non-cancelable operating leases with terms of one to three years at its 7 Eagle Square facility. Parking spaces are also leased to tenants on a month-to-month basis. Revenue and costs associated with this property for the fiscal year ended September 30, 2012 were as follows:

Revenue:	
Rental income, building and parking	\$ 660,682
Rental income, facilities	8,616
<i>Total revenues</i>	<u>669,298</u>
Expenses:	
Utilities	68,026
Maintenance and repairs	67,014
Real estate taxes	68,941
Janitorial	14,244
Trash, snow and other services	29,934
Management fees and commissions	14,400
Insurance and other administrative costs	6,235
Depreciation expense	39,672
<i>Total expenses</i>	<u>308,466</u>
Net rental earnings	<u>\$ 360,832</u>

The following is a schedule by years of future minimum rentals under the leases at September 30, 2012:

<u>Year Ending September 30</u>	
2013	\$ 448,448
2014	60,000
<i>Total</i>	<u>\$ 508,448</u>

Note 15. Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as a decrease in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. The Society has a policy that requires net proceeds realized from the sale or transfer of deaccessioned objects will be used only for acquisition and conservation of collections. The total value of items sold or transferred by the Society for the year ended September 30, 2012 amounted to \$3,912.

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NEW HAMPSHIRE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

The Society's collections include books, manuscripts, photographs, research materials and objects relating to the history of New Hampshire. These collections have been acquired by donation, bequests and purchases. Collection items are acquired or conserved based on the Society's long-range plans for collections development.

Collections are made available for scholarly use by the public and maintained under appropriate security and preservation conditions.

The value of collection items acquired by gift for which the Society can make a reasonable estimate, amounted to \$81,310 for the fiscal year ended September 30, 2012 and are not reflected in the statement of activities.

Note 16. Beneficial Interest in a Trust

The Society is a 25% beneficiary of the Benjamin Kimball Irrevocable Trust, a perpetual trust held by TD Bank. The Society receives distributions from the Trust based on the income earned by the Trust. The Society's allocation of income from the fund was \$65,650 for the year ended September 30, 2012. 25% of the fair value of the Trust, which is used to approximate the present value of future benefits expected to be received, amounted to \$1,472,882 at September 30, 2012.

In accordance with the FASB Accounting Standards Codification topic for Revenue Recognition (FASB ASC 958-605), the Society records both the investment income from the trust and the change in value of the investment in the statement of activities and changes in net assets.

Note 17. Funds Held by Others

The Society is the beneficiary of the Charles A. Watson, Jr. Endowment Fund for the New Hampshire Historical Society, a designated fund at The New Hampshire Charitable Foundation. Pursuant to the terms of the resolution establishing this fund, property contributed to The New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of the Society. In accordance with its spending policy the Foundation makes distributions from the fund to the Society. The distributions are approximately 4.03% of the market value of the fund per year. The fund is not included in these financial statements, since all property in the fund was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of the Society. If the nonprofit organization ceases to exist, the Foundation's Board of Directors will identify another nonprofit that most closely resembles the original charitable intent. The amount received from the fund for the year ended September 30, 2012 was \$5,247. The fair value of the fund assets was \$195,840 on September 30, 2012.

Note 18. Donated Goods and Services

The value of donated services included as contributions in the financial statements and the corresponding program and support expenses for the year ended September 30, 2012 amounted to \$6,393.

Numerous volunteers have donated significant amounts of time to the Society's fundraising campaign and program services. No amounts have been reflected in the financial statements, as it is impracticable to estimate the fair value of those services.

Note 19. Concentration of Credit Risk

The Society maintains cash accounts with several financial institutions. The Society's non-interest bearing cash balances were fully insured at September 30, 2012 due to a temporary federal program in effect through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. The Society's interest-bearing accounts are insured up to \$250,000, per depositor at each financial institution. Interest-bearing amounts on deposit in excess of federally insured limits at September 30, 2012 approximated \$14,000.

Note 20. Related Party Transactions

The Society maintains a banking relationship with a bank for which the Executive Director of the Society is Chair of the Board of Directors. The banking relationship includes asset accounts equaling \$261,180 and a liability account equaling \$249,895 at September 30, 2012.

The Society entered into an agreement with a conservation center for which a member of the Society's Board of Trustees is Executive Director to perform conservation, digitization and consulting services. During the year ended September 30, 2012 amounts paid to the conservation center amounted to \$8,661. The Board of Trustees has approved an additional amount of \$50,000 for anticipated pecuniary benefit transactions with this company for the fiscal year ending September 30, 2013.

Note 21. Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

Note 22. Subsequent Events

The Society has evaluated subsequent events through March 14, 2013, 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 September 30, 2012.

Note 23. Prior Period Adjustments

During the fiscal year ended September 30, 2012, the Society's management determined that two adjustments should be made to the investment funds in order to be properly recorded. The Prentis Murphy fund should be recorded as a board designated fund rather than a permanently restricted fund. Additionally the Thorndike fund's original permanently restricted gift amount of \$30,000 should be the corrected value of \$25,000, as \$5,000 of this original gift was not for endowment purposes.

The restatement had the effect of increasing unrestricted net assets by \$1,178,162, decreasing temporarily restricted net assets by \$750,415, and decreasing permanently restricted net assets by \$427,747. The restatement had no effect on the total net assets as previously reported.



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

**INDEPENDENT AUDITORS' REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Trustees
New Hampshire Historical Society
Concord, New Hampshire 03301

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of capital campaign activity 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
March 14, 2013

NEW HAMPSHIRE HISTORICAL SOCIETY

SUPPLEMENTARY SCHEDULES OF CAPITAL CAMPAIGN ACITIVITY

September 30, 2012 and 2011

	2012	2011
Capital campaign contributions	\$ 810,047	181,376
Capital campaign endowment contributions	99,671	-
<i>Total support and revenue</i>	909,718	181,376
Operating expenses:		
Contracted services	62,728	84,321
Salaries and wages	3,692	-
Supplies	2,058	615
Food and Beverage	1,973	1,558
Telephone	1,513	-
Travel	1,004	-
Equipment	717	-
Postage	592	-
Staff development	130	-
Miscellaneous	25	1,079
Printing and photography	7	-
<i>Total expenses</i>	74,439	87,573
<i>Net excess of support and revenue over expenses</i>	\$ 835,279	\$ 93,803