NEW HAMPSHIRE HISTORICAL SOCIETY

FINANCIAL REPORT

SEPTEMBER 30, 2019

CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the New Hampshire Historical Society, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Historical Society, as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the New Hampshire Historical Society's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of Democracy Project 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
June 11, 2020

STATEMENT OF FINANCIAL POSITION
September 30, 2019 and Comparative Totals for September 30, 2018

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
CURRENT ASSETS				
Cash	$ -	$ 203,187	$ 203,187	$ 489,251
Interfund receivable (payable)	(141,770)	141,770	-	-
Accounts receivable	25,387	-	25,387	11,860
Contributions receivable, current, net of allowance for doubtful accounts of $4,794	8,550	34,598	43,148	234,382
Grants receivable, current	-	-	-	26,000
Inventory	24,341	-	24,341	24,279
Prepaid expenses	80,034	-	80,034	80,594
Total current assets	(3,458)	379,555	376,097	866,366
PROPERTY AND EQUIPMENT, NET	4,560,402	-	4,560,402	4,534,937
COLLECTIONS (See Note 15)	-	-	-	-
INVESTMENTS AND OTHER ASSETS				
Investments	9,464,625	7,147,494	16,612,119	14,442,256
Beneficial interest in a trust	-	1,801,133	1,801,133	1,828,792
Charitable gift annuity	-	-	-	378,401
Charitable remainder unitrust	-	631,991	631,991	653,671
Contributions receivable, long-term, net of allowance for doubtful accounts of $5,627 and discount of $3,916	-	46,720	46,720	11,203
Assets held for sale, net	-	-	-	1,152,734
Cash surrender value of life insurance	57,113	-	57,113	55,670
Total assets	**$ 14,078,682**	**$ 10,006,893**	**$ 24,085,575**	**$ 23,924,030**

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
CURRENT LIABILITIES				
Line-of-credit	$ -	$ -	$ -	$ 249,500
Current maturities of long-term debt	24,354	-	24,354	59,480
Accounts payable	82,687	-	82,687	21,420
Accrued expenses	46,377	-	46,377	47,189
Deferred revenue	11,220	-	11,220	11,613
Current portion of annuity payable	-	-	-	14,384
Current portion of charitable remainder unitrust payable	-	31,600	31,600	32,684
Total current liabilities	164,638	31,600	196,238	436,270
LONG-TERM LIABILITIES				
Long-term debt, less current maturities	53,853	-	53,853	1,057,157
Annuity payable, less current portion	-	-	-	108,336
Charitable remainder unitrust payable, less current portion	-	108,757	108,757	195,127
Total liabilities	218,491	140,357	358,848	1,796,890
NET ASSETS				
Without donor restrictions:				
Net investment in property and equipment	4,482,195	-	4,482,195	4,571,034
Undesignated	(118,203)	-	(118,203)	(239,986)
Designated	9,496,199	-	9,496,199	7,283,231
Total net assets without donor restrictions	13,860,191	-	13,860,191	11,614,279
With donor restrictions	-	9,866,536	9,866,536	10,512,861
Total net assets	13,860,191	9,866,536	23,726,727	22,127,140
Total liabilities and net assets	**$ 14,078,682**	**$ 10,006,893**	**$ 24,085,575**	**$ 23,924,030**

See Notes to Financial Statements.

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended September 30, 2019 and Comparative Totals for Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING ACTIVITIES:				
Revenues				
Contributed support:				
Contributions and memberships	$ 316,759	$ -	$ 316,759	$ 321,756
Grants, gifts, and fundraising	462,267	283,996	746,263	516,246
Contributed goods and services	106,544	-	106,544	24,025
Total contributed support	885,570	283,996	1,169,566	862,027
Earned revenues:				
Earned income and special events	94,583	-	94,583	111,586
Rental income, net, including depreciation of $37,469	173,653	-	173,653	279,560
Total earned revenues	268,236	-	268,236	391,146
Investment income:				
Trust income (Kimball, Watson, Hubbard)	114,542	-	114,542	112,840
Other investment income	1,026	-	1,026	54
Endowment spending draw in accordance with spending policy (see Note 4)	339,136	337,083	676,219	663,179
Release of current year endowment draw for satisfaction of program restrictions	260,038	(260,038)	-	-
Total investment income	714,742	77,045	791,787	776,073
Total revenues	1,868,548	361,041	2,229,589	2,029,246
Net assets released from restrictions:				
For satisfaction of program restrictions	918,225	(918,225)	-	-
Expenses				
Program service expenses:				
Library	476,698	-	476,698	766,239
Museum	317,475	-	317,475	291,925
Democracy project	222,860	-	222,860	91,132
Exhibitions	190,414	-	190,414	75,879
Education	169,293	-	169,293	144,727
Publications	63,159	-	63,159	77,435
Museum store	6,292	-	6,292	8,323
Total program service expenses	1,446,191	-	1,446,191	1,455,660
Supporting services and general expenses:				
Membership, development, and public relations	291,564	-	291,564	282,404
Administration	278,914	-	278,914	254,159
Buildings, grounds, and security	54,407	-	54,407	47,789
Total supporting services and general expenses	624,885	-	624,885	584,352
Total expenses	2,071,076	-	2,071,076	2,040,012
Increase (decrease) in net assets from operating activities	$ 715,697	$ (557,184)	$ 158,513	$ (10,766)

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
Year Ended September 30, 2019 and Comparative Totals for Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Increase (decrease) in net assets from operating activities	$ 715,697	$ (557,184)	$ 158,513	$ (10,766)
NON-OPERATING ACTIVITIES				
Revenues and other support:				
Gifts and fundraising	-	26,233	26,233	29,775
Capital campaign:				
Capital campaign contributions	-	-	-	9,265
Capital campaign project related and fundraising expenses	(11,927)	-	(11,927)	(17,856)
Net capital campaign	(11,927)	-	(11,927)	(8,591)
Investment return:				
Realized and unrealized investment gains	326,632	90,862	417,494	414,357
Investment expenses	(72,836)	(36,479)	(109,315)	(76,972)
Investment income, actual dividends and interest	274,943	137,448	412,391	850,163
Change in present value of charitable remainder unitrust	-	57,537	57,537	(40,372)
Change in value of beneficial interest in a trust	-	(27,659)	(27,659)	51,888
Total investment return	528,739	221,709	750,448	1,199,064
Less endowment spending draw (see Note 4)	(339,136)	(337,083)	(676,219)	(663,179)
Total investment income (loss)	189,603	(115,374)	74,229	535,885
Gain (loss) on sale of property and equipment	1,352,539	-	1,352,539	(1,867)
Increase (decrease) in net assets from non-operating activities	1,530,215	(89,141)	1,441,074	555,202
Increase (decrease) in net assets	2,245,912	(646,325)	1,599,587	544,436
Net assets, beginning of year	11,614,279	10,512,861	22,127,140	21,582,704
Net assets, end of year	**$ 13,860,191**	**$ 9,866,536**	**$ 23,726,727**	**$ 22,127,140**

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019 and Comparative Totals for Year Ended September 30, 2018

	2019											2018
	Program Service Expenses							Supporting Services and General Expenses				
	Library	Museum	Democracy Project	Exhibitions	Education	Publications	Museum Store	Membership Development and Public Relations	Administration	Buildings Grounds and Security	Total	Total
Salary and benefits	$ 207,977	$ 113,459	$ 150,144	$ 45,442	$ 86,338	$ 28,348	$ -	$ 194,430	$ 182,883	$ 32,484	$ 1,041,505	$ 956,648
Depreciation expense	108,111	44,401	38,000	107,713	23,362	5,850	-	9,051	6,983	1,429	344,900	411,563
Communications expense	49,980	34,667	-	-	19,640	6,341	971	22,440	22,396	16,055	172,490	18,893
Contracted services	38,212	15,604	18,997	3,337	6,722	791	-	11,345	58,495	-	153,503	224,577
Utilities	50,088	37,533	-	-	-	-	-	-	587	-	88,208	83,421
Acquisitions	17,343	48,007	-	-	-	-	-	-	-	-	65,350	58,783
Conservation	15,444	28,084	-	-	-	-	-	-	-	-	43,528	81,486
Miscellaneous	2,144	5,909	6,831	1,056	4,271	1,185	3,099	14,148	2,280	44	40,967	48,365
Building rent	-	14,761	-	-	-	1,375	955	-	2,696	4,067	23,854	-
Insurance	8,901	6,733	-	1,259	-	-	-	-	6,513	-	23,406	24,175
Printing and photography	597	112	1,126	231	3,552	-	-	16,397	123	7	22,145	26,940
Supplies	6,300	2,319	2,536	69	5,194	325	102	1,807	2,260	318	21,230	21,463
Postage and shipping	73	43	241	4	977	1,645	645	12,196	902	3	16,729	20,439
Publications HNH	-	-	-	-	-	15,428	-	-	-	-	15,428	27,685
Faculties repairs and maintenance	6,354	4,953	-	-	-	-	-	-	-	-	11,307	18,193
Food, beverages and catering	44	36	4,143	-	3,038	-	-	244	3,499	-	11,004	6,429
Bank charges	599	49	842	882	989	-	520	6,536	305	-	10,722	10,682
Bad debt expense (recovery)	-	-	-	-	-	-	-	-	(12,953)	-	(12,953)	21,430
Facilities expense allocation	(35,469)	(39,195)	-	30,421	15,210	1,871	-	2,970	1,945	-	(22,247)	(21,160)
Total	$ 476,698	$ 317,475	$ 222,860	$ 190,414	$ 169,293	$ 63,159	$ 6,292	$ 291,564	$ 278,914	$ 54,407	$ 2,071,076	$ 2,040,012

NEW HAMPSHIRE HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2019 and 2018

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase in net assets	$	1,599,587	$	544,436
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation		382,369		469,441
Bad debt expense (recovery)		(12,953)		21,430
Realized and unrealized investment gains		(417,494)		(414,357)
(Increase) decrease in value of beneficial interest in a trust		27,659		(51,888)
Increase in cash surrender value of life insurance		(1,443)		(3,280)
Receipt of gifts restricted to endowment and capital campaign		(26,233)		(39,040)
Decrease in charitable gift annuity payable		(122,720)		(13,950)
Increase (decrease) in charitable remainder unitrust payable		(87,454)		8,492
(Gain) loss on sale of property and equipment		(1,352,538)		1,867
(Increase) decrease in inventory		(62)		3,744
Decrease in prepaid expenses		560		9,560
(Increase) decrease in contributions receivable		168,670		(160,565)
Increase in accounts receivable		(13,527)		(7,350)
(Increase) decrease in grants receivable		26,000		(1,000)
Increase (decrease) in accounts payable and accrued expenses		60,455		(42,332)
Decrease in deferred revenue		(393)		(104,187)
Net cash provided by operating activities		230,483		221,021
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments		1,778,312		3,094,373
Purchases of investments		(3,130,600)		(3,240,166)
Proceeds from sale of property and equipment		2,507,000		-
Purchases of property and equipment		(409,562)		(980,878)
Net cash provided by (used in) investing activities		745,150		(1,126,671)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings from long-term debt		-		1,510,300
Repayments of long-term debt		(1,287,930)		(609,653)
Receipt of gifts restricted to endowment and capital campaign		26,233		39,040
Net cash provided by (used in) financing activities		(1,261,697)		939,687
Net increase (decrease) in cash		(286,064)		34,037
Cash, beginning of year		489,251		455,214
Cash, end of year	**$**	**203,187**	**$**	**489,251**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash payments for interest	$	790	$	988
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES				
Decrease in accounts payable related to construction in progress	$	-	$	(515,051)

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, museum, 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 programs, including research services, exhibitions, publications, school programs, public programs, technical services, and support of local historical societies. The Society's website and online collections catalog provide broad access to information on library, archival, and museum collections. The Society also provides the New Hampshire History Network (NHHN), a digital gateway that provides centralized access to New Hampshire's history and historical collections through partnerships with local historical societies and other collecting institutions. In 2017, the Society launched "The Democracy Project: Renewing History and Civics Education in New Hampshire Schools," an educational initiative to address the growing knowledge deficit in the areas of history and civics.

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 with donor restrictions and without donor restrictions, 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of the two net asset categories are as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time the Board of Trustees designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

For designated net assets without donor restrictions, 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.

See Note 11 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions and also includes the accumulated appreciation and depreciation related to donor-restricted endowment funds.

The Society reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Some net assets with donor restrictions include a situation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note 10 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Contributions: Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributed collection items are not capitalized or recognized in the statement of activities and changes in net assets (see Note 15).

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as without donor restrictions and as an increase in net assets without donor restrictions.

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 $754,171 at September 30, 2019.

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 and because the Society elected the fair value option in accordance with generally accepted accounting principles. Conditional promises to give are not included in the financial statements. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the 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, 2019 amounted to $10,421. Bad debt recovery for the year ended September 30, 2019 amounted to $12,953.

Advertising: The Society expenses all advertising costs as incurred. Advertising amounted to $1,061 for the year ended September 30, 2019.

Inventory: Inventory is valued at the lower of cost or net realizable value, on the first-in, first-out basis (FIFO), and consists of books and gifts for sale in the Society's online store.

Accounts and grants receivable: Accounts and grants 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, 2019.

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. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets.

Investment pools: The Society maintains five 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, 2019, 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 $2,000 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	5-39
Buildings	39-50
Equipment fixtures	3-20
Land improvements, parking lots	2-20
Permanent exhibit	3-5
Website and software	3-5

Depreciation expense amounted to $382,369, of which $37,469 is included in rental expenses.

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, 2019, 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 2016.

Deferred revenue: Deferred revenue consists of prepaid tenant rent and program revenue 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, 2018, from which the summarized information was derived.

Functional allocation of expenses: The costs of providing program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated based on estimates of time and effort and the square footage used by the various functional area.

Change in accounting principle: In August 2016, the FASB issued ASU 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Society has adopted this ASU for the year ended September 30, 2019 with retroactive application for the September 30, 2018 financial statements. As a result, the Society changed its presentation of its net assets classes and expanded the footnote disclosures as required by the ASU.

Recent accounting pronouncements: In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Society expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective on October 1, 2019. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Society is currently evaluating the impact this will have on its financial statements.

In February 2016, the FASB issued, *Leases, Topic 842* (ASU 2016-02), which will be effective for the Society on October 1, 2021, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Society is currently evaluating the impact of ASU 2016-02 on its financial statements.

Note 3. Investments

The fair values of the Society's investments at September 30, 2019 were comprised of the following:

Cash	$	754,171
Equities:		
Common stocks		12,130,248
Private equities		1,233,101
Fixed income corporate and government bonds		2,391,496
Alternative investments		103,103
Total	$	16,612,119

Investment return for September 30, 2019 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Realized and unrealized gains	$ 326,632	$ 90,862	$ 417,494
Investment expenses	(72,836)	(36,479)	(109,315)
Investment income, dividends and interest	274,943	137,448	412,391
	$ 528,739	$ 191,831	$ 720,570

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 50 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 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 net assets with donor restrictions (permanently restricted) (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 net assets with donor restrictions (permanently restricted) is classified as net assets with donor restrictions (temporarily restricted) until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by 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.

Underwater Endowment Funds: 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. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an original gift value of $25,000, and a current fair value of $24,150 and a deficiency of $850 as of September 30, 2019.

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% to 6%, 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% to 6%. 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% to 6% of its endowment fund's average market value of the pooled investment portfolio of the twenty prior quarters through the second calendar quarter preceding 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. The Society has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure $268 from underwater endowment funds during the year, which represents 5% to 6% of the average trailing quarters which it generally draws from its endowment.

Endowment net asset composition by type of fund as of September 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	$ -	$ 7,147,494	$ 7,147,494
Board-designated endowment funds	9,464,625	-	9,464,625
Total	**$ 9,464,625**	**$ 7,147,494**	**$ 16,612,119**

Endowment net assets as of September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 7,251,688	$ 7,190,568	$ 14,442,256
Investment return:			
Investment income	2,070,650	172,945	2,243,595
Net appreciation (realized and unrealized)	219,726	94,563	314,289
Total investment return	2,290,376	267,508	2,557,884
Contributions	261,965	26,233	288,198
Appropriation of endowment assets for expenditure	(339,136)	(337,083)	(676,219)
Other change	(268)	268	-
Endowment of net assets, end of year	**$ 9,464,625**	**$ 7,147,494**	**$ 16,612,119**

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.

- 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, 2019:

Assets:	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	$ 754,171	$ -	$ -	$ 754,171
Equities:				
Common stock	11,757,877	-	-	11,757,877
U.S. equities	372,371	-	-	372,371
Fixed income:				
Corporate and government bonds	2,391,496	-	-	2,391,496
	15,275,915	-	-	15,275,915
Charitable remainder unitrust:				
Cash and money market funds	57,120	-	-	57,120
Equities:				
Common stock	420,032	-	-	420,032
Mutual funds	19,627	-	-	19,627
Mutual funds	135,212	-	-	135,212
Total charitable remainder unitrust	631,991	-	-	**631,991**
Beneficial interest in a trust	-	-	1,801,133	**1,801,133**
Total assets	15,907,906	-	1,801,133	17,709,039
Liabilities:				
Charitable remainder unitrust payable	-	-	140,357	140,357
Total liabilities	$ -	$ -	$ 140,357	$ 140,357
Investments measured using net asset value:				
Pooled equity				$ 1,233,101
Private real estate				103,103
				$ 1,336,204

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.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2019:

	Goldman Sachs - Real Estate Credit Partners II	Beneficial Interest in a Trust	Annuity Payable	Charitable Remainder Unitrust Payable	Private Equities
Balance, beginning of year	$ 116,923	$ 1,828,792	$ 122,720	$ 227,811	$ 1,151,855
Reduction for death of annuitant	-	-	(122,720)	-	-
Sales/Distributions	(13,820)	-	-	-	-
Payments to annuitants/ beneficiaries	-	-	-	(29,916)	-
Total realized and unrealized gains, included in changes in assets	-	(27,659)	-	(57,538)	81,246
Balance, end of year	$ 103,103	$ **1,801,133**	$ -	$ **140,357**	$ 1,233,101
Amount of unrealized gains attributable to assets still held at the reporting date, included in changes in net assets	$ -	$ (27,659)	$ -	$ (57,538)	$ 81,246

The following table sets forth additional disclosures of the Society's investments whose fair value is estimated using net asset value per share (or its equivalent) as of September 30, 2019:

		Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Pooled equity:					
Paloma International Limited	(a)	$ 1,233,101		Quarterly	60-65 days
Private real estate:					
Broad Street Real Estate Credit Partners II	(b)	103,103	245,050		
		$ 1,336,204	$ 245,050		

Investment objectives:

a) The Fund is a feeder fund in a "master-feeder" structure whereby it invests all of its investable assets in Paloma International L.P. (the "Master Fund"). The Master Fund seeks to achieve attractive long-term risk-adjusted returns through dynamic capital allocation among a changing set of investment strategies and portfolio managers.

b) The Fund seeks to generate attractive risk-adjusted returns through the creation of a diversified pool of investments in both senior and mezzanine loans collateralized by high quality real estate assets. The Fund's primary focus is to create strong current yield for its investors through the origination of loans to facilitate real estate acquisitions, refinancing and recapitalizations throughout the United States and Europe. As one of the largest global investors in private real estate credit, the team's dedicated platform, strong sponsor relationships and access to the entire Goldman Sachs network ensures comprehensive coverage of the market and allows for the creation of unique lending opportunities.

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 as of September 30, 2019:

In one year or less	$	47,943
Between one year and five years		56,262
Present value discount		(3,916)
Allowance for uncollectible contributions receivable		(10,421)
Total	$	89,868

Approximately 7% of total contributions receivable, or $7,000, 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, 2019, the unemployment fund balance amounted to $14,479.

Note 8. Property and Equipment

Property and equipment, at cost, as of September 30, 2019 is comprised as follows:

	Property Used In Operations	Rental Property	Total
Building improvements	$ 5,067,914	$ 1,166,773	$ 6,234,687
Buildings	550,115	305,600	855,715
Equipment fixtures	874,365	-	874,365
Land improvements, parking lots	63,473	324,689	388,162
Permanent exhibit	247,100	-	247,100
Website and software	758,289	-	758,289
Land	-	200,000	200,000
	7,561,256	1,997,062	9,558,318
Less: accumulated depreciation	4,037,014	960,902	4,997,916
Property and equipment, net	$ 3,524,242	$ 1,036,160	$ **4,560,402**

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, 2019 are comprised as follows:

	Purpose	
Operations designations:		
Plant fund operating cash	Major repairs to buildings	$ 31,574
Designated funds:		
General Fund	General operations	6,294,396
Katharine Prentis Murphy Fund	Museum acquisitions/conservation	1,579,496
Bequests Fund under $100k	General operations	494,406
June Campbell Hoyt Fund	General operations	470,179
Library collections, care and acquisitions	Library acquisitions/conservation	168,233
Publications Fund	Costs of publications	141,735
Elizabeth M. Hoyt Fund	General operations	84,533
John L. Frisbee Education Fund	Educational programs/services	74,272
Plant Fund	Major repairs to buildings	55,439
Jessie H. Rablin Fund	General operations	50,982
Museum collections, care and acquisitions	Museum acquisitions/conservation	43,373

Library collections, Stewardship Fund	Library operations		4,000
Museum collections, Stewardship Fund	Museum operations		3,581
Total			9,464,625
Total designated net assets		$	**9,496,199**

Note 10. Net Assets with Donor Restrictions

The Society's net assets with donor restrictions are for the following purposes or periods as follows at September 30, 2019:

Subject to expenditure for specified purpose or period:		
Contributions receivable, net	$	81,318
Democracy project		163,779
Library		138,414
Capital campaign		16,450
Museum		25,640
Education		4,974
Charitable remainder trust		491,634
Total subject to expenditure for specified purpose or period		922,209
Endowments subject to the Society's spending policy and appropriation:		
Investments in perpetuity (original amounts of $6,360,759 in 2019),		
which once appropriated, is expendable to support:		
Beneficial interest in trusts	$	1,801,133
Edith Shepard Freeman/Margaret H. Jewell Fund		1,923,743
Stanley A. Hamel Funds		1,692,252
John L. Frisbee Education Fund		1,106,381
William C. Todd Fund		335,740
Life Memberships Fund		252,207
John W. Harris Fund		236,444
Ruth E. Pearson Fund		157,792
Mary H. Woodbury Fund		136,980
Evelyn P. and Noah J. Arell Fund		135,167
Natalie Hoyt Fund		116,908
Asa Currier Tilton Fund		102,933
Anonymous		96,119
Perry-Dudley Family Archive and Shepard Collection Fund		82,006
Charles S. Parsons Fund		80,207
Frances M. Heald Fund		65,198
George F. Sawyer Memorial Fund		63,085
Philip B. and Nelle L. Holmes Fund		61,863
Bequests Fund		56,290

Concord Clock Tower Fund		56,029
Duncan S. McGowan Memorial Fund		45,348
Capital Campaign Restricted		43,431
Leonard K. Dodge Fund		39,007
Edward C. and Elizabeth F. Lathem Fund		35,527
Robert O. Wilson, D.D.S., Historical Research Fund		33,876
David G. and Barbara J. Stahl Fund		33,119
Lane Dwinell Fund		30,166
Annalee Thorndike Fund		28,601
Raymon S. Vaughan Baseball Fund		27,888
Jere R. Daniell Publications Fund		25,966
Roger F. Woodman Fund		24,150
Mary W. Vaughan Fund		12,703
Edith W. Atkins Fund		6,068
Total net assets with donor restrictions	$	9,866,536

Note 11. Net Assets without Donor Restrictions

The Society's net assets without donor restrictions at September 30, 2019 are comprised as follows:

Undesignated	$	(118,203)
Board designated for building		4,482,195
Board designated for various purposes (see Note 9)		9,496,199
Total net assets without donor restrictions	$	13,860,191

Note 12. Liquidity and Availability of Resources

The following reflects the Society's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of this date. Amounts not available include amounts set aside for long-term investing in the board designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of the Statement of Financial Position date have not been subtracted as unavailable.

September 30,		**2019**
Cash	$	203,187
Accounts receivable		25,387
Contributions receivable, net		89,868
Investments		16,612,119
Beneficial interest in a trust		1,801,133
Charitable remainder unitrust		631,991
Cash surrender value of life insurance		57,113
Total financial assets available		19,420,798

Less amounts unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions		(874,266)
Subject to appropriation and satisfaction of donor restrictions		(8,264,327)
Board designations:		
Board designated endowment		(9,496,199)
Financial assets available to meet cash needs for general expenditures within one year	$	**786,006**

The Society's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is not restricted for specific purposes and, therefore, is available for general expenditure. As described in Note 4, the endowment has a spending rate of 5% to 6%. Approximately $680,000 of appropriations from the endowment will be available within the next 12 months and has been included in amounts subject to appropriation and satisfaction of donor restrictions above.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society has board designated endowment of $9,464,625. Although the Society does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the board designated endowment could be made available if necessary.

As described in Note 13, the School had also obtained a line-of-credit to address cash flow needs as they arise. There was $250,000 available under this line-of-credit at September 30, 2019.

Note 13. Revolving Line-of-Credit and Long-Term Debt

The Society has a $250,000 revolving unsecured 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 (5.25% at September 30, 2019). As of September 30, 2019, there was no outstanding balance on the line-of-credit.

During November 2016, the Society entered into a promissory note with Merrimack County Savings Bank, secured by all business assets, in the amount of $1,000,000, with a variable interest rate based on the Ten-Year Federal Home Loan Bank of Boston Regular Advance Rate. This loan was paid off in December 2019 and had no balance outstanding as of September 30, 2019.

During October 2015, the Society entered into an unsecured loan with Merrimack County Savings Bank to finance the fit-up of new tenant space. This loan is payable in monthly installments of $2,247 including interest at 3.9%, due October 27, 2022. As of September 30, 2019, the outstanding balance on the loan was $78,207.

Future maturities of long-term debt are as follows:

Year Ending September 30,		
2020	$	24,354
2021		25,321
2022		26,326
2023		2,206
Total	$	78,207

Note 14. Rental Activity

The Society leases office space to tenants under non-cancelable operating leases that expires on October 31, 2023 at its 6 Eagle Square facility with the option for extension. The Society entered into an agreement with a local business owner to rent parking spaces for $12,583 a month expiring on October 31, 2024. Rental income also includes rental of library facilities in the amount of $1,000. Revenue and costs associated with rental activity for the year ended September 30, 2019 were as follows:

Revenue:		
Rental income, building and parking	$	354,511
Rental income, facilities		1,442
Total revenues		355,953
Expenses:		
Salaries and wages expense		31,076
Utilities		5,741
Maintenance and repairs		31,233
Real estate taxes		53,983
Trash, snow and other services		1,626
Insurance and other administrative costs		21,172
Depreciation expense		37,469
Total expenses		182,300
Net rental earnings	$	**173,653**

The following is a schedule by years of future minimum rentals under the leases at September 30, 2019:

Year Ending September 30		
2020	$	287,741
2021		290,442
2022		293,231
2023		162,872
2024		151,000
Total	$	1,185,286

Note 15. Collections

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as a decrease in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets.

Contributions of collection items are not recognized in the statement of activities and changes in net assets. 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. There were no items sold or transferred by the Society during the year ended September 30, 2019.

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 values of collection items acquired by gift for which the Society can make a reasonable estimate, amounted to $136,076 for the year ended September 30, 2019 and are not reflected in the statement of activities and changes in net assets.

Note 16. Beneficial Interest in a Trust

The Society is a 25% beneficiary of the Benjamin Kimball Irrevocable Trust ("the 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 $86,366 for the year ended September 30, 2019. Twenty-five percent of the fair value of the Trust, which is used to approximate the present value of future benefits expected to be received, amounted to $1,801,133 at September 30, 2019.

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. Charitable Remainder Unitrust

The Society is beneficiary of the Stanley A. Hamel 2008 Charitable Trust, a charitable remainder unitrust. The Society receives a future interest in an investment held by the Society as trustee when the terms of the life income contribution have been met. This amount has been included in these financial statements as an investment recorded at fair value and a liability recorded at the present value of the estimated future payments made to the donors using a discount rate of 5% and actuarial assumptions. On an annual basis, the Society will revalue the investment based on applicable mortality tables and current market conditions.

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 18. Charitable Gift Annuity

The Society has established a program under which donors may set up charitable gift annuities. Charitable gift annuities are arrangements between a donor and the Society in which the donor contributes assets to the Society in exchange for a promise to pay the donor a fixed amount for a specified period of time.

Assets received are recognized at fair value, and an annuity payment liability is recognized at the present value of the future cash flows projected to be paid. Contribution revenue with donor restrictions is recognized as the difference between these two amounts based on state requirements (see below). Annuity liabilities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and actuarial assumptions for those annuities. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced as payments are made to the donor.

Under Chapter 403-E of New Hampshire Revised Statutes Annotated (RSA), charitable gift annuities are exempt from insurance regulation. To qualify for exemption, a charity must have been in continuous operation for at least 3 years and have at least $300,000 in unrestricted cash, cash equivalents or publicly traded securities, not counting the annuity gift. The Society has complied with these requirements.

New Hampshire requires a charity to retain 100 percent of the contributions received for gift annuities, increased by earnings and decreased by annuity payments and properly allocated expenses. Such gifts must be invested in accordance with the general standards of prudent investment (RSA 564-A:3-b), therefore these contributions are included as temporarily restricted for the life of the donor.

During the current year, the donor of the outstanding charitable gift annuity passed away and the remaining asset amounting to approximately $389,000 was transferred to other investments and the liability was removed.

Note 19. 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 ("the Foundation"). Pursuant to the terms of the resolution establishing this Fund, property contributed to the 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 4.2% 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 Foundation to be held and administered for the benefit of the Society. If the Society 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, 2019 was $8,566. The fair value of the Fund assets was $216,157 at September 30, 2019.

The Society is the beneficiary of the Robert P. Hubbard Fund, a Designated Fund at the New Hampshire Charitable Foundation ("the Foundation"). The purpose of this Designated Fund is to support, using income only, the Society for general programs and publications. Pursuant to the terms of the resolution establishing this Fund, property contributed to the 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 4.2% 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 Foundation to be held and administered for the benefit of the Society. The amount received from the Fund for the year ended September 30, 2019 was $19,610. The fair value of the Fund assets was $528,977 at September 30, 2019.

Note 20. 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, 2019 amounted to $106,544.

Numerous volunteers have donated significant amounts of time to the Society's fundraising campaign and program services. Although these donated services are of great intangible value to the Society, they did not meet the accounting requirements for recognition in the financial statements and, therefore, have not been recorded.

Note 21. Concentration of Credit Risk

The Society maintains cash accounts with several financial institutions. The Society's cash accounts are insured up to $250,000 per depositor at each financial institution. At times during the year, the Society maintains cash balances in excess of federally insured limits. The Society had no deposit in excess of federally insured limits at September 30, 2019. Shares of a pool of mortgage-backed securities are pledged as collateral for uninsured amounts at September 30, 2019.

Note 22. Related Party Transactions

The Society maintains a banking relationship with a bank for which the President of the Society is Chair of the Board of Directors. The banking relationship includes asset accounts equaling $146,589 and liability accounts equaling $78,207 at September 30, 2019.

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, 2019, amounts paid to the conservation center amounted to $8,487.

Note 23. 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, 2019 amounted to $34,083.

Note 24. Sale of Building

On October 30, 2018, the Society completed the sale of the building held for sale. The building was sold to an unrelated third party for $2,500,000. Under the terms of the sale agreement, the Society will lease office and storage space in the building for a term of seven years for rent in the amount of $30,000 per year. The sale agreement also provides for the buyer to lease a portion of the Society's parking lot for a term of seven years, with the right to renew for up to four additional five-year terms.

Note 25. Reclassification

Certain reclassifications have been made to prior year amounts to conform to current year financial statement presentation. These reclassifications have had no effect on net assets as previously reported.

Note 26. Subsequent Events

The Society has evaluated subsequent events through June 11, 2020 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, 2019.

SUPPLEMENTARY SCHEDULES OF DEMOCRACY PROJECT ACTIVITY
Years Ended September 30, 2019 and 2018

	2019	2018
Revenue and support:		
Grants, gifts and fundraising	$ 159,000	$ 399,400
Contributed goods and services	75,000	-
Teacher training revenue	17,580	-
Total revenue and support	251,580	399,400
Operating expenses:		
Wage allocations	77,780	59,628
Salaries and benefits	72,363	14,511
Depreciation expense	38,000	-
Contracted services	18,997	13,900
Teacher training stipends	5,850	-
Food and beverages	4,143	223
Supplies	2,536	106
Printing and photography	1,126	5
Bank fees	842	-
Travel and accommodations	558	322
Staff development	424	70
Postage and shipping	241	125
Equipment	-	1,292
Miscellaneous	-	950
Total operating expenses	**222,860**	**91,132**
Excess of revenue and support over expenses	28,720	308,268
Purchase of capitalized items related to the Democracy Project, net of depreciation	285,000	-
Net current year Democracy Project activity	$ (256,280)	$ 308,268