

NEW HAMPSHIRE
HISTORICAL SOCIETY

FINANCIAL REPORT

SEPTEMBER 30, 2008

NEW HAMPSHIRE HISTORICAL SOCIETY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the New Hampshire Historical Society (an incorporated nonprofit organization) as of September 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 the New Hampshire Historical Society as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

January 9, 2009

NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008

ASSETS				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS				
Cash	\$ 32,622	\$ 327,502	\$ -	\$ 360,124
Inventory	103,076	-	-	103,076
Prepaid expenses	48,562	-	-	48,562
Pledges receivable	60,460	-	23,750	84,210
Accounts receivable	13,312	-	-	13,312
Cash surrender value of life insurance	25,099	-	-	25,099
Total current assets	<u>\$ 283,131</u>	<u>\$ 327,502</u>	<u>\$ 23,750</u>	<u>\$ 634,383</u>
PROPERTY AND EQUIPMENT, NET	4,557,162	-	-	4,557,162
INVESTMENTS	<u>6,099,350</u>	<u>-</u>	<u>2,979,852</u>	<u>9,079,202</u>
TOTAL ASSETS	<u><u>\$ 10,939,643</u></u>	<u><u>\$ 327,502</u></u>	<u><u>\$ 3,003,602</u></u>	<u><u>\$ 14,270,747</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 49,911	\$ -	\$ -	\$ 49,911
Accrued expenses	43,136	-	-	43,136
Deferred revenue	6,352	-	-	6,352
Notes payable	179,895	-	-	179,895
Total current liabilities	<u>\$ 279,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,294</u>
NET ASSETS				
Unrestricted:				
Net investment in property and equipment	\$ 4,557,162	\$ -	\$ -	\$ 4,557,162
Designated:				
Operations	89,276	-	-	89,276
Investments	2,670,105	-	-	2,670,105
Undesignated:				
Operations	(110,538)	-	-	(110,538)
Investments	3,454,344	-	-	3,454,344
Temporarily restricted		327,502	-	327,502
Permanently restricted	-	-	3,003,602	3,003,602
Total net assets	<u>\$ 10,660,349</u>	<u>\$ 327,502</u>	<u>\$ 3,003,602</u>	<u>\$ 13,991,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,939,643</u></u>	<u><u>\$ 327,502</u></u>	<u><u>\$ 3,003,602</u></u>	<u><u>\$ 14,270,747</u></u>

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2007*

ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash	\$ 132,021	\$ 166,282	\$ 1,044	\$ 299,347
Inventory	100,649	-	-	100,649
Prepaid expenses	29,635	-	-	29,635
Pledges and grants receivable	16,683	-	235,643	252,326
Accounts receivable	9,838	-	-	9,838
Cash surrender value of life insurance	22,037	-	-	22,037
Total current assets	\$ 310,863	\$ 166,282	\$ 236,687	\$ 713,832
PROPERTY AND EQUIPMENT, NET	4,704,271	-	-	4,704,271
INVESTMENTS	7,613,447	-	3,451,981	11,065,428
TOTAL ASSETS	\$ 12,628,581	\$ 166,282	\$ 3,688,668	\$ 16,483,531
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 31,681	\$ -	\$ -	\$ 31,681
Accrued expenses	37,746	-	-	37,746
Deferred revenue	2,669	-	-	2,669
Due to NENR	801	-	-	801
Notes payable	179,895	-	-	179,895
Total current liabilities	\$ 252,792	\$ -	\$ -	\$ 252,792
NET ASSETS				
Unrestricted				
Net investment in property and equipment	\$ 4,704,271	\$ -	\$ -	\$ 4,704,271
Designated:				
Operations	122,009	-	-	122,009
Investments	3,264,811	-	-	3,264,811
Undesignated:				
Operations	(85,975)	-	-	(85,975)
Investments	4,370,673	-	-	4,370,673
Temporarily restricted	-	166,282	-	166,282
Permanently restricted	-	-	3,688,668	3,688,668
Total net assets	\$ 12,375,789	\$ 166,282	\$ 3,688,668	\$ 16,230,739
TOTAL LIABILITIES AND NET ASSETS	\$ 12,628,581	\$ 166,282	\$ 3,688,668	\$ 16,483,531

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTED SUPPORT				
Contributions and memberships	\$ 349,791	\$ -	\$ -	\$ 349,791
Grants, gifts, and fundraising	142,400	187,220	93,044	422,664
Contributed goods and services	6,993	-	-	6,993
Total contributed support	<u>\$ 499,184</u>	<u>\$ 187,220</u>	<u>\$ 93,044</u>	<u>\$ 779,448</u>
INVESTMENT AND EARNED INCOME				
Earned income and special events	\$ 289,152	\$ -	\$ -	\$ 289,152
Rental income, net of related expenses	347,359	-	-	347,359
Kimball Trust and Watson Trust income	94,920	-	-	94,920
Other investment income	5,679	-	-	5,679
Investment return designated for current operations	331,902	-	138,390	470,292
Transfer of funds in accordance with investment policy	138,390	-	(138,390)	-
Total investment and earned income	<u>\$ 1,207,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,207,402</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 26,000</u>	<u>\$ (26,000)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL SUPPORT AND REVENUES, BEFORE INVESTMENT RETURN IN EXCESS OF AMOUNT TRANSFERRED FOR CURRENT OPERATIONS	<u>\$ 1,732,586</u>	<u>\$ 161,220</u>	<u>\$ 93,044</u>	<u>\$ 1,986,850</u>
EXPENSES				
PROGRAM SERVICE EXPENSES				
Museum	\$ 202,922	\$ -	\$ -	\$ 202,922
Exhibitions	150,140	-	-	150,140
Library	318,544	-	-	318,544
Education	127,124	-	-	127,124
Publications	95,144	-	-	95,144
Museum store and visitor services	149,770	-	-	149,770
Buildings, grounds, and security	14,204	-	-	14,204
Total program service expenses	<u>\$ 1,057,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,848</u>
COLLECTION ITEMS ACQUIRED BY PURCHASE				
Museum	\$ 24,819	\$ -	\$ -	\$ 24,819
Library	72,669	-	-	72,669
Total collections items acquired by purchase	<u>\$ 97,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,488</u>
SUPPORTING SERVICES AND GENERAL EXPENSES				
Membership, development and public relations	\$ 323,212	\$ -	\$ -	\$ 323,212
Administration	247,673	-	-	247,673
Total supporting services and general expenses	<u>\$ 570,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,885</u>
TOTAL EXPENSES AND COLLECTION ITEMS ACQUIRED BY PURCHASE BEFORE ENDOWMENT ADDITIONS AND DEPRECIATION	<u>\$ 1,726,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,726,221</u>

(Continued)

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES BEFORE INVESTMENT RETURN IN EXCESS OF AMOUNT TRANSFERRED FOR CURRENT OPERATIONS, ENDOWMENT ADDITIONS, AND DEPRECIATION	\$ 6,365	\$ 161,220	\$ 93,044	\$ 260,629
LESS ADDITIONS TO ENDOWMENT				
Planned and deferred gifts	\$ 17,750	\$ -	\$ 201	\$ 17,951
Capital campaign contributions			46,387	46,387
Life memberships			41,493	41,493
Other contributions			30,834	30,834
Total additions to endowment	<u>\$ 17,750</u>	<u>\$ -</u>	<u>\$ 118,915</u>	<u>\$ 136,665</u>
ADD BACK RENTAL DEPRECIATION (rental income shown net of expenses on page 1)	<u>\$ 61,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,238</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES BEFORE INVESTMENT RETURN IN EXCESS OF AMOUNT TRANSFERRED FOR CURRENT OPERATIONS AND DEPRECIATION	<u>\$ 49,853</u>	<u>\$ 161,220</u>	<u>\$ (25,871.00)</u>	<u>\$ 185,202</u>
INVESTMENT RETURN				
Unrealized investment gains (losses)	\$ (1,362,330)	\$ -	\$ (703,605)	\$ (2,065,935)
Realized investment gains (losses)	(31,195)	-	(20,267)	(51,462)
Investment expenses	(43,083)	-	(22,309)	(65,392)
Investment income, actual dividends and interest	220,395	-	106,461	326,856
Total investment return	<u>\$ (1,216,213)</u>	<u>\$ -</u>	<u>\$ (639,720)</u>	<u>\$ (1,855,933)</u>
Less amount designated for current operations	331,902	-	138,390	470,292
Total investment return in excess of amount transferred for current operations	<u>\$ (1,548,115)</u>	<u>\$ -</u>	<u>\$ (778,110)</u>	<u>\$ (2,326,225)</u>
TRANSFERS TO ENDOWMENT	<u>\$ 17,750</u>	<u>\$ -</u>	<u>\$ 118,915</u>	<u>\$ 136,665</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES BEFORE DEPRECIATION	\$ (1,480,512)	\$ 161,220	\$ (685,066)	\$ (2,004,358)
DEPRECIATION	<u>234,928</u>	<u>-</u>	<u>-</u>	<u>234,928</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (1,715,440)	\$ 161,220	\$ (685,066)	\$ (2,239,286)
NET ASSETS, BEGINNING OF YEAR	<u>12,375,789</u>	<u>166,282</u>	<u>3,688,668</u>	<u>16,230,739</u>
NET ASSETS, ENDING	<u>\$10,660,349</u>	<u>\$ 327,502</u>	<u>\$ 3,003,602</u>	<u>\$13,991,453</u>

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTED SUPPORT				
Contributions and memberships	\$ 283,762	\$ -	\$ -	\$ 283,762
Grants, gifts, and fundraising	262,535	96,533	706,433	1,065,501
Contributed goods and services	25,298	-	-	25,298
Total contributed support	<u>\$ 571,595</u>	<u>\$ 96,533</u>	<u>\$ 706,433</u>	<u>\$ 1,374,561</u>
INVESTMENT AND EARNED INCOME				
Earned income and special events	\$ 358,994	\$ -	\$ -	\$ 358,994
Rental income, net of related expenses	383,312	-	-	383,312
Kimball Trust and Watson Trust income	94,312	-	-	94,312
Other investment income	12,189	-	-	12,189
Investment return designated for current operations	310,960	-	93,656	404,616
Transfer of funds in accordance with investment policy	93,656	-	(93,656)	-
Total investment and earned income	<u>\$ 1,253,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253,423</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 31,600</u>	<u>\$ (131,600)</u>	<u>\$ 100,000</u>	<u>\$ -</u>
TOTAL SUPPORT AND REVENUES, BEFORE INVESTMENT RETURN IN EXCESS OF AMOUNT TRANSFERRED FOR CURRENT OPERATIONS	<u>\$ 1,856,618</u>	<u>\$ (35,067)</u>	<u>\$ 806,433</u>	<u>\$ 2,627,984</u>
EXPENSES				
PROGRAM SERVICE EXPENSES				
Museum	\$ 207,093	\$ -	\$ -	\$ 207,093
Exhibitions	181,666	-	-	181,666
Library	253,719	-	-	253,719
Education	111,104	-	-	111,104
Publications	72,732	-	-	72,732
Museum store and visitor services	183,212	-	-	183,212
Buildings, grounds, and security	95,839	-	-	95,839
Total program service expenses	<u>\$ 1,105,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105,365</u>
COLLECTION ITEMS ACQUIRED BY PURCHASE				
Museum	\$ 29,735	\$ -	\$ -	\$ 29,735
Library	47,954	-	-	47,954
Total collections items acquired by purchase	<u>\$ 77,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,689</u>
SUPPORTING SERVICES AND GENERAL EXPENSES				
Membership, development and public relations	\$ 324,460	\$ -	\$ -	\$ 324,460
Administration	297,335	-	-	297,335
Total supporting services and general expenses	<u>\$ 621,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 621,795</u>
TOTAL EXPENSES AND COLLECTION ITEMS ACQUIRED BY PURCHASE BEFORE ENDOWMENT ADDITIONS AND DEPRECIATION	<u>\$ 1,804,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,804,849</u>

(Continued)

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES BEFORE INVESTMENT RETURN IN EXCESS OF AMOUNT TRANSFERRED FOR CURRENT OPERATIONS, ENDOWMENT ADDITIONS, AND DEPRECIATION	\$ 51,769	\$ (35,067)	\$ 806,433	\$ 823,135
LESS ADDITIONS TO ENDOWMENT				
Planned and deferred gifts	\$ 114,420	\$ -	\$ 378,270	\$ 492,690
Capital campaign contributions	-	-	425,912	425,912
Other contributions	-	-	2,251	2,251
Total additions to endowment	<u>\$ 114,420</u>	<u>\$ -</u>	<u>\$ 806,433</u>	<u>\$ 920,853</u>
ADD BACK RENTAL DEPRECIATION (rental income shown net of expenses on page 1)	\$ 61,907	\$ -	\$ -	\$ 61,907
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES BEFORE INVESTMENT RETURN IN EXCESS OF AMOUNT TRANSFERRED FOR CURRENT OPERATIONS AND DEPRECIATION	<u>\$ (744)</u>	<u>\$ (35,067)</u>	<u>\$ -</u>	<u>\$ (35,811)</u>
INVESTMENT RETURN				
Unrealized investment gain	\$ 569,989	\$ -	\$ 225,250	\$ 795,239
Realized investment gain	123,913	-	41,177	165,090
Investment expenses	(47,076)	-	(18,202)	(65,278)
Investment income, actual dividends and interest	244,630	-	87,269	331,899
Total investment return	<u>\$ 891,456</u>	<u>\$ -</u>	<u>\$ 335,494</u>	<u>\$ 1,226,950</u>
Less amount designated for current operations	<u>310,960</u>	<u>-</u>	<u>93,656</u>	<u>404,616</u>
Total investment return in excess of amount transferred for current operations	<u>\$ 580,496</u>	<u>\$ -</u>	<u>\$ 241,838</u>	<u>\$ 822,334</u>
TRANSFERS TO ENDOWMENT	<u>\$ 114,420</u>	<u>\$ -</u>	<u>\$ 806,433</u>	<u>\$ 920,853</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES BEFORE DEPRECIATION	\$ 694,172	\$ (35,067)	\$ 1,048,271	\$ 1,707,376
DEPRECIATION	<u>233,214</u>	<u>-</u>	<u>-</u>	<u>233,214</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 460,958	\$ (35,067)	\$ 1,048,271	\$ 1,474,162
NET ASSETS, BEGINNING OF YEAR	<u>11,914,831</u>	<u>201,349</u>	<u>2,640,397</u>	<u>14,756,577</u>
NET ASSETS, ENDING	<u><u>\$12,375,789</u></u>	<u><u>\$ 166,282</u></u>	<u><u>\$ 3,688,668</u></u>	<u><u>\$16,230,739</u></u>

The notes to financial statements are an integral part of this statement.

NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	Unrestricted						
	Net Investment in Property & Equipment	Board Designated	Undesignated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS - September 30, 2006	\$ 4,825,991	\$ 3,042,189	\$ 4,046,651	\$ 11,914,831	\$ 201,349	\$ 2,640,397	\$ 14,756,577
Operational changes in net assets		344,631	(342,449)	2,182	(35,067)	806,433	773,548
Investment return:							
Total investment return			891,456	891,456		335,494	1,226,950
Less amount designated for operations			(310,960)	(310,960)		(93,656)	(404,616)
Transfers to net investment in property and equipment:							
Depreciation expense	(233,214)			(233,214)			(233,214)
Acquisition of new property and equipment	111,494			111,494			111,494
∞ Total fiscal year net asset changes	\$ (121,720)	\$ 344,631	\$ 238,047	\$ 460,958	\$ (35,067)	\$ 1,048,271	\$ 1,474,162
NET ASSETS - September 30, 2007	4,704,271	3,386,820	4,284,698	12,375,789	166,282	3,688,668	16,230,739
Operational changes in net assets	-	(627,438)	607,222	(20,216)	161,220	93,044	234,048
Investment return:							
Total investment return			(1,216,213)	(1,216,213)		(639,720)	(1,855,933)
Less amount designated for operations			(331,902)	(331,902)		(138,390)	(470,292)
Transfers to net investment in property and equipment:							
Depreciation expense	(234,928)			(234,928)			(234,928)
Acquisition of new property and equipment	87,819			87,819			87,819
Total fiscal year net asset changes	\$ (147,109)	\$ (627,438)	\$ (940,893)	\$ (1,715,440)	\$ 161,220	\$ (685,066)	\$ (2,239,286)
NET ASSETS - September 30, 2008	\$ 4,557,162	\$ 2,759,382	\$ 3,343,805	\$ 10,660,349	\$ 327,502	\$ 3,003,602	\$ 13,991,453

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007*

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (2,239,286)	\$ 1,474,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	234,928	233,214
Unrealized (gain) loss on investments	2,065,935	(795,239)
Net (gains) losses on investments	116,854	(99,812)
(Increase) decrease in cash surrender value of life insurance	(3,062)	(2,868)
Receipt of restricted donations	(93,044)	(706,433)
(Increase) decrease in inventory	(2,427)	(23,626)
(Increase) decrease in prepaid expenses	(18,927)	8,991
(Increase) decrease in pledges and grants receivable	168,116	103,680
(Increase) decrease in accounts receivable	(3,474)	(4,053)
Increase (decrease) in accounts payable and accrued expenses	23,620	5,835
Increase (decrease) in deferred revenue and due to NENR	2,882	(4,964)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 252,115</u>	<u>\$ 188,887</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	\$ 5,107,724	\$ 3,395,946
Purchase of investment securities, net of transfers	(5,304,287)	(4,396,057)
Purchase of property and equipment	(87,819)	(111,494)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ (284,382)</u>	<u>\$ (1,111,605)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of restricted donations	\$ 93,044	\$ 706,433
Increase (decrease) in line of credit	-	30,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>\$ 93,044</u>	<u>\$ 736,433</u>
Net increase (decrease) in cash	\$ 60,777	\$ (186,285)
CASH - BEGINNING	299,347	485,632
CASH - ENDING	<u>\$ 360,124</u>	<u>\$ 299,347</u>

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

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:

Museum and exhibitions: The Museum of New Hampshire History offers exhibitions on the state's heritage and traditions as well as a variety of programs for children and adults.

Library and publications: The Tuck Library preserves the finest collection of printed, manuscript, and pictorial materials relating to New Hampshire history anywhere.

Education: The Society offers a diverse range of educational programs including guided museum visits, teaching and learning aids, teacher workshops, and a history curriculum for school children grades K-6 are some of the programs offered.

Museum store and visitor services: The Society operates a museum store, which sells various goods related to New Hampshire and its history as well as products from various local area craftsmen. The museum also offers various visitor services for members and patrons.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donation restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of government money market obligations and all highly liquid debt instruments purchased with maturities of three months or less. It is the Society's policy to consider such cash equivalents to be investments. Cash equivalents reported as investments in the statements of financial position at September 30, 2008 and 2007 amounted to \$675,951 and \$492,522 respectively.

Inventory

Inventory is comprised primarily of books and gifts available for sale in the Society's gift shop, and is stated at the lower of cost or market determined by the first-in, first-out method.

Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. In accordance with SFAS No. 115, multi-year pledges are recognized as revenue and recorded at their fair value on the date the pledge is made. The Society has recorded its multi-year pledges, if any, at their fair value utilizing a discounted interest rate of 5%.

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 Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Gains and losses are considered temporarily restricted if the investment income is temporarily restricted by the donor.

Investment Pools

The Society maintains a master investment account 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 2008 and 2007, the spending limit was based on 5% of the average fair value of the investment portfolio determined over a five-year period.

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost when purchased and fair market value when donated. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are generally expensed. When items of property and equipment are sold or retired, the related cost of accumulated depreciation is removed from the accounts, and any gain or loss is included in income. Depreciation is calculated using the straight-line method over the following estimated useful lives:

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

Income Taxes

The Society is a nonprofit organization determined to be exempt from federal income tax under the Internal Revenue Code Section 501(c)(3), and not a private organization within the meaning of Section 509(a).

Advertising Costs

The Society follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$11,514 and \$13,326, respectively, for the fiscal years ended September 30, 2008 and 2007.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors 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.

NOTE 2 - INVESTMENTS

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value.

Investments at September 30, 2008 and 2007 were comprised of the following:

	2008	2007
Cash	\$ 864	\$ 134,636
Fixed value money funds	366,204	257,800
U.S. Governmental obligations	1,127,932	1,745,256
Corporate bonds	780,016	1,081,696
Common stocks	6,804,186	7,846,040
	\$ 9,079,202	\$ 11,065,428

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 2 – INVESTMENTS (continued)

Investment return for September 30, 2008 is summarized as follows:

	Unrestricted	Permanently Restricted	Total
Unrealized gains (losses)	\$ (1,362,330)	\$ (703,605)	\$ (2,065,935)
Realized gains (losses)	(31,195)	(20,267)	(51,462)
Investment expenses	(43,083)	(22,309)	(65,392)
Investment income, dividends and interest	220,395	106,461	326,856
	<u>\$ (1,216,213)</u>	<u>\$ (639,720)</u>	<u>\$ (1,855,933)</u>
Withdrawals in accordance with spending policy	\$ 331,902	\$ 138,390	\$ 470,292
Unspent withdrawals returned to investment(see note 11)	-	(11,781)	(11,781)
Net Investment Return Policy Transfers	<u>\$ 331,902</u> ⁽¹⁾	<u>\$ 126,609</u> ⁽²⁾	<u>\$ 458,511</u>

(1) Intrafund transfer - reflected in statements of activities

(2) Interfund transfer - reflected in statements of activities

Investment return for September 30, 2007 is summarized as follows:

	Unrestricted	Permanently Restricted	Total
Unrealized gains (losses)	\$ 569,989	\$ 225,250	\$ 795,239
Realized gains (losses)	124,438	40,652	165,090
Investment expenses	(47,076)	(18,202)	(65,278)
Investment income, dividends and interest	244,630	87,269	331,899
	<u>\$ 891,981</u>	<u>\$ 334,969</u>	<u>\$ 1,226,950</u>
Withdrawals in accordance with spending policy	\$ 310,960	\$ 93,656	\$ 404,616
Unspent withdrawals returned to investment(see Note 11)	-	-	-
Net Investment Return Policy Transfers	<u>\$ 310,960</u> ⁽¹⁾	<u>\$ 93,656</u> ⁽²⁾	<u>\$ 404,616</u>

(1) Intrafund transfer - reflected in statements of activities

(2) Interfund transfer - reflected in statements of activities

There has been a material decline in the fair value of investments since the financial statement date. As of December 31, 2008, the fair value of investments was \$7,970,212, net of any current year activity. See Note 15 – Subsequent Event.

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable as of September 30, 2008 and 2007 are comprised of the following:

	<u>2008</u>	<u>2007</u>
Total	\$ 60,460	\$ 16,683
Less reserve for uncollectible amounts	-	-
	<u>\$ 60,460</u>	<u>\$ 16,683</u>

Restricted pledges receivable as of September 30, 2008 and 2007 are comprised of the following:

	<u>2008</u>	<u>2007</u>
Total	\$ 23,750	\$ 235,643
Less reserve for uncollectible amounts	-	-
	<u>\$ 23,750</u>	<u>\$ 235,643</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2008 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	323,119	386,592
Buildings	855,715	614,475	1,470,190
Building improvements	4,165,003	627,320	4,792,323
Equipment and fixtures	907,650	-	907,650
Permanent exhibit	153,296	-	153,296
	<u>\$ 6,145,137</u>	<u>\$ 1,764,914</u>	<u>\$ 7,910,051</u>
Less: accumulated depreciation	2,616,059	736,830	3,352,889
Property and equipment, net	<u>\$ 3,529,078</u>	<u>\$ 1,028,084</u>	<u>\$ 4,557,162</u>

Property and equipment as of September 30, 2007 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	322,124	385,597
Buildings	855,715	614,476	1,470,191
Building improvements	4,101,036	622,508	4,723,544
Equipment and fixtures	889,604	-	889,604
Permanent exhibit	153,296	-	153,296
	<u>\$ 6,063,124</u>	<u>\$ 1,759,108</u>	<u>\$ 7,822,232</u>
Less: accumulated depreciation	2,442,369	675,592	3,117,961
Property and equipment, net	<u>\$ 3,620,755</u>	<u>\$ 1,083,516</u>	<u>\$ 4,704,271</u>

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

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 5 - DESIGNATED NET ASSETS

The Society's Board-designated net assets at September 30, 2008 and 2007 are comprised as follows:

	2008	2007
<u>Operations designations:</u>		
Plant fund operating cash	\$ 89,276	\$ 122,009
<u>Designated investments, at market value:</u>		
Edith W Atkins Fund	\$ 4,543	\$ 5,732
Jessie H. Rablin Fund	38,157	48,142
Lane Dwinell Fund	22,574	28,487
Mary H. Woodbury Fund	102,519	129,352
John L. Frisbee Education Fund	55,596	70,137
Plant - for building repairs and maintenance	212,567	264,161
Ruth E. Pearson Fund	118,100	149,004
Philip B. and Nelle L. Holmes Fund	44,453	56,081
Library collections care and acquisitions	125,861	158,815
Publications	106,075	133,843
Katharine Prentis Murphy Fund	1,182,085	1,479,271
Natalie Hoyt Fund	87,477	110,398
June Campbell Hoyt Fund	351,885	443,944
Evelyn P. & Noah J. Arell Fund	101,129	107,321
Museum collections care and acquisitions	45,615	57,542
Life memberships	37,582	-
David G. Stahl Fund	8,789	-
Life insurance - planned giving	25,099	22,037
Uninvested cash	-	544
	\$ 2,670,106	\$ 3,264,811
<u>Total designations</u>	\$ 2,759,382	\$ 3,386,820

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 notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The Society's temporarily restricted net assets at September 30, 2008 and 2007 are comprised as follows:

	<u>2008</u>	<u>2007</u>
Library catalog project	\$ 53,249	\$ 53,249
Tuck pre-construction plan	16,500	16,500
NEH challenge grant	64,170	64,170
Dorothy Vaughan collection processing	-	20,000
Dunlap Chest reproduction	6,363	6,363
NHCF - Corporate Fund	-	6,000
The Brown Foundatio-Advanced Placement Grant	12,125	-
David M Lesser Books - Library Deaccession	75,396	-
Samuel P Pardoe Foundation-Outreach to Lakes Region	5,000	-
Fidelity Investments-Cooperative Storage Analysis Grant	71,790	-
Norwin & Elizabeth Bean Grant-Education Programs	5,000	-
Allocated Parsons Fund Monies	2,213	-
Allocated Conservation and Acquisition Monies	15,696	-
	<u>\$ 327,502</u>	<u>\$ 166,282</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

The Society's permanently restricted net assets at September 30, 2008 and 2007 are comprised as follows:

	<u>2008</u>	<u>2007</u>
Permanently restricted receivables	\$ 23,750	\$ 235,644
<u>Permanently restricted investments, at market value:</u>		
Perry-Dudley Family Archive and Shepard Collection Fund	\$ 29,224	\$ 31,170
Asa Currier Tilton Fund	72,828	74,827
William C. Todd Fund	249,149	254,549
Edith Shepard Freeman/Margaret H. Jewell Fund	1,439,537	1,526,367
Edward C. and Elizabeth F. Lathem Fund	26,600	28,151
Philip B. and Nelle L. Holmes Fund	1,849	1,928
Charles S. Parsons Fund	39,838	50,512
Leonard K. Dodge Fund	22,728	29,044
Concord Tower Clock Fund	41,940	61,451
Annalee Thorndike Fund	21,398	27,172
Jere R. Daniell Publications Fund	19,449	25,223
George F. Sawyer Memorial Fund	47,195	58,908
Roger F. Woodman Fund	18,071	27,320
John L. Frisbee Education Fund (includes NEH Challenge)	805,967	561,658
Duncan S. McGowan Memorial Fund	23,844	29,227
Anonymous	71,851	90,055
Robert O. Wilson, D.D.S., Historical Research Fund	23,932	24,863
Raymon S. Vaughan Baseball Fund	14,928	15,869
Mary W. Vaughan Fund	9,524	10,577
Uninvested cash	-	129,063
<u>Total</u>	<u>\$ 2,979,852</u>	<u>\$ 3,057,934</u>
Total permanently restricted net assets	<u>\$ 3,003,602</u>	<u>\$ 3,293,578</u>

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 8 - 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 years ended September 30, 2008 and 2007 amounted to \$27,104 and \$24,169, respectively.

NOTE 9 - 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 of 1% over prime. As of September 30, 2008 and 2007, the outstanding balance on the line of credit was \$179,895 and \$179,895, respectively.

NOTE 10 - 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 years ended September 30, 2008 and 2007, were as follows:

	<u>2008</u>	<u>2007</u>
Rental income, building and parking	\$ 727,958	\$ 722,927
Expenses:		
Utilities	\$ 70,884	\$ 74,473
Maintenance and repairs	80,487	38,175
Real estates taxes	72,906	72,926
Janitorial	24,289	26,010
Security	3,458	7,571
Trash, snow and other services	31,527	27,450
Management fees and commissions	26,725	34,932
Other administrative costs	9,387	2,033
Depreciation expense	61,239	61,907
Total expenses	<u>\$ 380,902</u>	<u>\$ 345,477</u>
Net rental earnings	<u>\$ 347,056</u>	<u>\$ 377,450</u>

The following is a schedule by years of future minimum rentals under the leases at September 30, 2008:

<u>Year Ending September 30</u>	
2009	\$ 505,384
2010	211,059
2011	-
2012	-
2013	-
<u>Total</u>	<u>\$ 716,443</u>

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 11 - 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 Statements 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 Society's designated Prentis Murphy investments originated as a result of proceeds from deaccessioned objects in prior years. Funds withdrawn from this investment are used only for acquisition and conservation of museum collections. Any monies withdrawn and not used as described above are returned to the fund. Funds withdrawn from the Prentis Murphy investment amounted to \$65,158 and \$61,794, for the fiscal years ended September 30, 2008 and 2007, respectively. Amounts spent on acquisition and conservation of museum collection items amounted to \$65,158 and \$55,139, for the fiscal years ended September 30, 2008 and 2007, respectively. Funds returned to the Prentis Murphy investment for the fiscal years ended September 30, 2008 and 2007, amounted to \$-0- and \$6,610, respectively.

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 \$152,385 and \$63,041, respectively, for the fiscal years ended September 30, 2008 and 2007, and are not reflected in the statements of activities.

NOTE 12 - BENEFICIARY OF GRANTS

The Society is a beneficiary of grant income on an annual basis from the Charles A. Watson Jr. Endowment Fund of the New Hampshire Charitable Foundation. The Society's allocation of income from the fund was \$8,520 and \$7,912, respectively, for the calendar years 2008 and 2007. Distributions totaling \$8,520 and \$7,912, respectively, were received by the Society during the years ended September 30, 2008 and 2007.

The Society is a beneficiary of grant income on an annual basis from the Trust u/w/o Benjamin Kimball of Banknorth NA. The Society's allocation of income from the fund was \$86,400 and \$86,400, respectively, for the fiscal years ended July 31, 2008 and 2007. Distributions totaling \$86,400 and \$86,400, respectively, were received by the Society during the fiscal years ended September 30, 2008 and 2007.

NOTE 13 - 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 years ended September 30, 2008 and 2007 amounted to \$6,993 and \$19,449, respectively. The value of donated goods included as contributions in the financial statements and the corresponding program and support expenses for the years ended September 30, 2008 and 2007 amounted to \$-0- and \$5,849, respectively.

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.

The notes to financial statements are an integral part of this statement.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007*

NOTE 14 - CONCENTRATION OF CREDIT RISK

The Society's cash and equivalents reflected in current assets are maintained in three commercial banking financial institutions. The balances at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2008 and 2007, the Society's uninsured cash balances at these banks amounted to \$204,936 and \$242,734, respectively. In addition, investments include \$675,951 and \$492,522, respectively, of cash equivalents at September 30, 2008 and 2007. Deposits in these accounts are not classified as deposits insured by the FDIC.

NOTE 15 - SUBSEQUENT EVENT

Subsequent to the financial statement date, the investments reported at fair value have declined by a material amount. See *Note 2 - Investments* for additional details.

The notes to financial statements are an integral part of this statement.