

**NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2011

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Graham & Graham, P.C.
Certified Public Accountants
Business Advisors and Management Consultants

Independent Auditor's Report

To the Board of Directors of
New Hampshire Land and Community Heritage Investment Program Authority
Concord, New Hampshire

We have audited the accompanying statement of financial position of the New Hampshire Land and Community Heritage Investment Program Authority (a New Hampshire nonprofit organization), a component unit of the State of New Hampshire, as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the New Hampshire Land and Community Heritage Investment Program Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Land and Community Heritage Investment Program Authority as of June 30, 2011, and the changes to its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Graham & Graham, P.C.

Graham & Graham, PC

Concord, New Hampshire
September 2, 2011
NH Registration #659
VT Registration #92-0000282
ME Registration #FMF 10001129

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE INVESTMENT PROGRAM
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2011

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets:				
Cash	\$ 392,030	\$ -	\$ -	\$ 392,030
Due from the State of New Hampshire	1,881	-	-	1,881
Prepaid assets	<u>2,601</u>	<u>-</u>	<u>-</u>	<u>2,601</u>
Total Current Assets	<u>396,512</u>	<u>-</u>	<u>-</u>	<u>396,512</u>
Capital Assets:				
Property and equipment	45,483	-	-	45,483
Less accumulated depreciation	<u>(41,450)</u>	<u>-</u>	<u>-</u>	<u>(41,450)</u>
Total Property and Equipment	<u>4,033</u>	<u>-</u>	<u>-</u>	<u>4,033</u>
Other Assets:				
Security deposit	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Total Other Assets	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Total Assets	<u>\$ 401,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,795</u>

LIABILITIES & EQUITY

Current Liabilities:				
Accounts payable	\$ 1,892	\$ -	\$ -	\$ 1,892
Accrued payroll and related liabilities	<u>12,647</u>	<u>-</u>	<u>-</u>	<u>12,647</u>
Total Current Liabilities	<u>14,539</u>	<u>-</u>	<u>-</u>	<u>14,539</u>
Net Assets:				
Unrestricted net assets	<u>387,256</u>	<u>-</u>	<u>-</u>	<u>387,256</u>
Total Net Assets	<u>387,256</u>	<u>-</u>	<u>-</u>	<u>387,256</u>
Total Liabilities & Net Assets	<u>\$ 401,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,795</u>

See Independent Auditor's Report and Notes to Financial Statements.

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE INVESTMENT PROGRAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Conservation plate revenue, State of New Hampshire	\$ 200,000	\$ -	\$ -	\$ 200,000
Administration fees, State of New Hampshire	172,268	-	-	172,268
Interest on appropriations, State of New Hampshire	11,666	-	-	11,666
Interest income	613	-	-	613
Other income	31	-	-	31
Total Support and Revenues	<u>384,578</u>	<u>-</u>	<u>-</u>	<u>384,578</u>
Expenses				
Program services	229,046	-	-	229,046
General and administrative	76,654	-	-	76,654
Total Expenses	<u>305,700</u>	<u>-</u>	<u>-</u>	<u>305,700</u>
Change in net assets	78,878	-	-	78,878
Net assets as of the beginning of the year	<u>308,378</u>	<u>\$ -</u>	<u>-</u>	<u>308,378</u>
Net assets as of the end of the year	<u>\$ 387,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,256</u>

See Independent Auditor's Report and Notes to Financial Statements.

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE INVESTMENT PROGRAM
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Benefits	\$ 6,710	\$ 2,009	\$ 8,719
Depreciation	8,256	2,472	10,728
Insurance, medical	27,693	8,292	35,985
Insurance, general	467	2,593	3,060
Office equipment and maintenance	3,943	1,181	5,124
Office expenses	326	98	424
Payroll taxes	6,892	2,064	8,956
Professional fees	26,945	8,068	35,013
Project signage	113	-	113
Rent and utilities	11,544	3,456	15,000
Salaries and wages	128,292	38,414	166,706
Supplies	1,310	392	1,702
Telephone and internet	2,688	805	3,493
Travel and entertainment	3,013	902	3,915
Unemployment compensation	-	5,652	5,652
Other expenses	854	256	1,110
	<u>\$ 229,046</u>	<u>\$ 76,654</u>	<u>\$ 305,700</u>

See Independent Auditor's Report and Notes to Financial Statements.

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE INVESTMENT PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ 78,878	\$ -	\$ -	\$ 78,878
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Depreciation and amortization	10,728	-	-	10,728
(Increase) Decrease in:				
Accounts receivable	(1,005)	-	-	(1,005)
Prepaid expenses	320	-	-	320
Accounts payable	908	-	-	908
Accrued expenses	(1,069)	-	-	(1,069)
Net cash Provided (Used) by Operating Activities	88,760	-	-	88,760
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash Provided (Used) by Investing Activities	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash Provided (Used) by Financing Activities	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	88,760	-	-	88,760
CASH AT BEGINNING OF YEAR				
	303,270	-	-	303,270
CASH AT END OF YEAR				
	\$ 392,030	\$ -	-	392,030
SUPPLEMENTAL DISCLOSURES:				
Interest paid	40	-	-	40

See Independent Auditor's Report and Notes to Financial Statements.

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE
INVESTMENT PROGRAM AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The New Hampshire Land and Community Heritage Investment Program Authority's (the "Authority") intent is to conserve and preserve this state's most important natural, cultural, and historical resources, through the acquisition of lands, and cultural and historical resources, or interests therein, of local, regional, and statewide significance. This is accomplished through matching grants in partnership with the state's municipalities and private non-profit groups, for the primary purposes of protecting and ensuring the perpetual contribution of these resources to the state's economy, environment, and overall quality of life. The Authority is a New Hampshire nonprofit corporation with its office located in Concord, NH.

The State of New Hampshire (the "State") funds the Authority through conservation license plate fees and interest income earned on appropriations made to the Trust Fund and through administration fees earned by administering a grant round. The State has placed a maximum amount of revenue to be earned by the Authority from the conservation license plate fees of \$200,000 each year and from interest income earned on Trust Fund appropriations of \$135,000 each year.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in its Topic ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC 958-205, the Authority 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.

Basis of Accounting

The Authority follows the accrual method of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Accounting Pronouncement Updates

In June 2009, the FASB issued the Statement of Financial Accounting Standards No. 168, *FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles – A Replacement of FASB Statement No. 162*. This guidance establishes FASB Accounting Standards Codification (the "ASC" or "Codification") as the source of authoritative GAAP for nongovernmental accounting standards. The Codification supersedes all existing non

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JUNE 30, 2011

–SEC accounting and reporting standards. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As the Codification will not change existing GAAP, the adoption of this guidance did not have an impact on the Authority’s financial condition or results of operations.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Relationship to the State of New Hampshire

The Authority is a component unit of the State. The Governor of the State appoints the Executive Director of the Authority, the public members of the Authority’s Board of Directors (the “Board”), and the heads of six state agencies who are also members of the Board. The public and the heads of the state agencies compose the majority of the Authority’s Board. The level of Trust Fund appropriations that provide the basis for the interest income earned by the Authority can be changed by the State through its budget process. The State’s Treasury department controls the investments of the Trust Fund. The State also controls the level of grant money available for the Authority to fund various projects. Only the funds and account groups of the Authority are included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the State of New Hampshire.

Cash

At June 30, 2011, cash consists of cash on hand and funds in checking and money market accounts.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. It is the Authority’s policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Expenditures for maintenance and repairs are charged to expense as incurred. The various classes of property and equipment are depreciated using the straight-line method, over a period of three to seven years.

Advertising

The Authority expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2011 were \$0.

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE
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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 2 – RELATED PARTY TRANSACTIONS

There were no related party transactions, except for as described in Note 3 for amounts due from the State to the Authority.

NOTE 3 – AMOUNTS DUE FROM THE STATE OF NEW HAMPSHIRE

The amount due from the State consists of receivables for interest income earned on Trust Fund appropriations in May and June 2011. The amounts were received in July 2011.

NOTE 4 – PROPERTY & EQUIPMENT

Property and equipment consists of the following:

Computer software	\$ 33,748
Computer equipment	9,308
Office furniture	2,427
	<u>45,483</u>
Accumulated depreciation	(41,450)
	<u>\$ 4,033</u>

Depreciation expense was \$10,728 for the year ended June 30, 2011.

NOTE 5 – LEASES

The Authority leases its office and a copier under noncancelable operating leases. The leases provide for minimum lease payments.

The following is a schedule of the future minimum lease payments required under the operating leases:

2012	\$ 16,908
2013	1,908
2014	1,908
2015	1,749
2016	-
Thereafter	-
	<u>\$ 22,473</u>
Total minimum lease payments	<u>\$ 22,473</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – INCOME TAXES

The Authority is a nonprofit corporation under New Hampshire RSA 292. As such, the Authority is exempt from federal income tax under Section 115 of the Internal Revenue Code. Accordingly, the Authority has not made any provision for income taxes.

NOTE 7 – EMPLOYEE BENEFITS

The employees of the Authority are not classified employees of the State within the meaning of RSA 21-I:49. Notwithstanding that provision, any individual employed by the Authority whose employment calls for 30 hours or more work in a normal calendar week, and whose position is anticipated to have a duration of 6 months or more shall be entitled to elect to receive such health, dental, life insurance, deferred compensation, and retirement benefits as are afforded to classified employees of the State if such election is made within 30 days of the start of employment. Effective March 28, 2008, all employees, with the exception of the Executive Director who is appointed by the Governor, are required to participate in the New Hampshire Retirement System.

State of New Hampshire Retirement System

The Authority has three employees electing to participate in the State of New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS). NHRS is divided into two employee groups: Group I which includes all employees except fire fighters and police officers and Group II which is for fire fighters and police officers. The Authority's employees are Group I employees.

Group I Employees

Employees who retire at or after age 60 are entitled to retirement benefits equal to 1.667% of the average of their three highest paid years of compensation, multiplied by their years of service. Earlier retirement allowances at reduced rates are available after age 50 and 1 year of service. Benefits fully vest upon reaching 20 years of service or attaining age 60.

NHRS also provides death and disability benefits. The State Legislature has periodically granted cost-of-living increase to retirees.

NHRS is funded by contributions from both the employees and the Authority. Group I employees are required by State statute to contribute 5% of gross earnings up to the Social Security taxable wage limit. Amounts in excess of the limit are at 9.2%. The employer must, under the same state statute, contribute monthly at an actuarially determined rate. Effective July

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1, 2009 through June 30, 2011, the contribution rate was set at 11.05% of covered payroll. The Authority's contributions to the NHRS for the year ended June 30, 2011 was \$8,049.

401A Plan

During September 2008, the Authority established a 401A plan to replace its Simple IRA plan. The only employees eligible to participate in the plan are appointed employees who do not elect to participate in NHRS. As of June 30, 2011, the Executive Director is the only employee eligible to participate in the plan. The Authority matches participating employee contributions dollar-for-dollar up to 3% annually. Contributions for the year ended June 30, 2011 was \$0.

NOTE 8 – ACCRUED PAYROLL

The Authority's accrued payroll at June 30, 2011 is \$6,175.

The Authority's stated policy regarding employee time off is that employees may carry over a maximum of five earned days off at the end of a fiscal year. The accrued employee time off balance at June 30, 2011 is \$6,300.

NOTE 9 – CONCENTRATIONS OF RISK

The Authority provides grants for conservation of natural, historical, and cultural resources in the State of New Hampshire. The current recessionary economic environment had a negative influence on the Authority's 2011 operating revenues, as 55% of the Authority's operating revenue comes from the State in the form of conservation license plate fees and income earned on appropriations made to the Trust Fund and 45% comes from administration fees earned for administering a grant round. The State has also reallocated 50% of the funds to be earned by the Trust Fund in fiscal year 2011 to be transferred to the State's General Fund at the end of fiscal year 2011. The State's biennial budget for fiscal years 2012 and 2013 also transferred all of the recording fee revenue that is earned by the Trust Fund to the General Fund, except for \$120,000 per year for administrative expenses. Both these facts mean there will be less money available to grant. Since administration fees are dependent on the amount of funds granted in a grant round, future administration fees earned will be lower. Further changes in the level of State funding will impact the financial viability of the entity to continue normal operations. These changes, if material, could adversely impact the ability of the Authority to conduct normal business operations, in the near future.

NOTE 10 – SUBSEQUENT EVENTS

No events occurred subsequent to the statement of financial position date and through the report date that would require adjustment to, or disclosure in, the financial statements. Subsequent events were evaluated through the report date of September 2, 2011.