

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2010

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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, 2010, 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, 2010, 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

October 8, 2010

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, 2010

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets:				
Cash	\$ 303,270	\$ -	\$ -	\$ 303,270
Due from the State of New Hampshire	876	-	-	876
Prepaid assets	2,921	-	-	2,921
Total Current Assets	<u>307,067</u>	<u>-</u>	<u>-</u>	<u>307,067</u>
Capital Assets:				
Property and equipment	45,483	-	-	45,483
Less accumulated depreciation	<u>(30,722)</u>	<u>-</u>	<u>-</u>	<u>(30,722)</u>
Total Property and Equipment	<u>14,761</u>	<u>-</u>	<u>-</u>	<u>14,761</u>
Other Assets:				
Security deposit	1,250	-	-	1,250
Total Other Assets	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Total Assets	<u>\$ 323,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,078</u>
 <u>LIABILITIES & EQUITY</u>				
Current Liabilities:				
Accounts payable	\$ 984	\$ -	\$ -	\$ 984
Accrued payroll and related liabilities	12,232	-	-	12,232
Capital lease liability	1,484	-	-	1,484
Total Current Liabilities	<u>14,700</u>	<u>-</u>	<u>-</u>	<u>14,700</u>
Net Assets:				
Unrestricted net assets	<u>308,378</u>	<u>-</u>	<u>-</u>	<u>308,378</u>
Total Net Assets	<u>308,378</u>	<u>-</u>	<u>-</u>	<u>308,378</u>
Total Liabilities & Net Assets	<u>\$ 323,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,078</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, 2010

	<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	156,049	-	-	156,049
Interest on appropriations, State of New Hampshire	11,271	-	-	11,271
Interest income	1,764	-	-	1,764
Monitoring income	622	-	-	622
Total Support and Revenues	<u>369,706</u>	<u>-</u>	<u>-</u>	<u>369,706</u>
Expenses				
Program services	233,386	24,500	-	257,886
General and administrative	160,073	-	-	160,073
Total Expenses	<u>393,459</u>	<u>24,500</u>	<u>-</u>	<u>417,959</u>
Change in net assets	(23,753)	(24,500)	-	(48,253)
Net assets as of the beginning of the year	<u>332,131</u>	\$ <u>24,500</u>	<u>-</u>	<u>356,631</u>
Net assets as of the end of the year	<u>\$ 308,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,378</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, 2010

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Benefits	\$ 8,826	\$ 5,985	\$ 14,811
Depreciation	7,019	4,760	11,779
Insurance, medical	48,621	32,970	81,591
Insurance, general	863	2,402	3,265
Office equipment and maintenance	1,527	1,035	2,562
Office expenses	186	126	312
Payroll taxes	9,986	6,771	16,757
Professional fees	8,721	5,913	14,634
Rent and utilities	8,939	6,061	15,000
Salaries and wages	131,143	88,928	220,071
Supplies	894	606	1,500
Telephone and internet	2,870	1,946	4,816
Travel and entertainment	3,509	2,379	5,888
Other expenses	282	191	473
	<u>\$ 233,386</u>	<u>\$ 160,073</u>	<u>\$ 393,459</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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ (23,753)	\$ (24,500)	\$ -	\$ (48,253)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Depreciation and amortization	11,778	-	-	11,778
(Increase) Decrease in:				
Accounts receivable	3,231	-	-	3,231
Prepaid expenses	(1,671)	-	-	(1,671)
Accounts payable	853	-	-	853
Accrued expenses	<u>3,376</u>	<u>-</u>	<u>-</u>	<u>3,376</u>
Net cash Provided (Used) by Operating Activities	(6,186)	(24,500)	-	(30,686)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	<u>(1,635)</u>	<u>-</u>	<u>-</u>	<u>(1,635)</u>
Net cash Provided (Used) by Investing Activities	(1,635)	-	-	(1,635)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowing on line of credit	-	-	-	-
Distributions to owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash Provided (Used) by Financing Activities	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,821)	(24,500)	-	(32,321)
CASH AT BEGINNING OF YEAR	<u>311,091</u>	<u>24,500</u>	<u>-</u>	<u>335,591</u>
CASH AT END OF YEAR	<u>\$ 303,270</u>	<u>\$ -</u>	<u>-</u>	<u>303,270</u>

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, 2010

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, in partnership with the state's municipalities and the private sector, 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 Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 May 2009, FASB issued SFAS 165, or Topic ASC 855-10, *Subsequent Events*, which requires the disclosure of the date through which a company has evaluated these events. It sets forth definitions for recognizable and non-recognizable events, as well as a definition of the date through which companies are required to evaluate them. The effective date for SFAS 165 for

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interim and annual financial periods is June 15, 2009. We evaluated the subsequent events through the date of the report of October 8, 2010, as discussed at Note 10.

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-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 and the public, legislative, and heads of state agencies who compose the majority of the Authority’s Board of Directors. 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, 2010, 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

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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.

Designation of Net Assets

In 2007, the Authority received a donation of \$24,500. The donor verbally stated they would like the money used in the Keene, NH area. The Board of Directors voted to designate the funds to a bridge project in Keene, NH. Therefore the \$24,500 was designated as temporarily restricted. During fiscal year 2010, the designated funds were disbursed to the city of Keene, NH for the bridge project.

Advertising

The Authority expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2010 were \$0.

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 June 2010. The amount was received in September 2010.

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	(30,722)
	<u>\$ 14,761</u>

Depreciation expense was \$11,779 for the year ended June 30, 2010.

NEW HAMPSHIRE LAND AND COMMUNITY HERITAGE
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NOTE 5 – LEASES

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

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

2011	\$ 15,000
2012	-
2013	-
2014	-
2015	-
Thereafter	-
	<u>\$ 15,000</u>
Total minimum lease payments	<u>\$ 15,000</u>

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

2011	\$ 1,908
2012	1,908
2013	1,908
2014	1,908
2015	1,749
Thereafter	-
	<u>9,381</u>
Less: Amount attributable to interest	40
Total minimum lease payments	<u>\$ 9,341</u>

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.

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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 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, 2010 was \$13,444.

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

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to participate in NHRS. As of June 30, 2010, 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, 2010 was \$0.

NOTE 8 – ACCRUED PAYROLL

The Authority's accrued payroll at June 30, 2010 is \$7,386.

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, 2010 is \$3,977.

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 2010 operating revenues, as 57% 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 42% comes from administration fees earned for administering a grant round. The State reallocated its appropriations during fiscal years 2009 and 2010 to balance its budget. As a result, a portion of the appropriations of the Trust Fund have been reallocated by the State to meet its needs. This, combined with the low interest rate environment, has caused the amount of interest income earned by the Authority to be down 81% from the amount earned in fiscal year 2009 and 92% from the amount earned in fiscal year 2008. 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. This means less money will be 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

The State has not remitted conservation license plate and trust fund interest income to the Authority for July – September 2010 yet. It is not unusual for the State to remit payments several months after the month earned. The Authority expects to receive full payment from the State for the amounts due.

Subsequent events were evaluated through the report date of October 8, 2010.