

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

FINANCIAL STATEMENTS

JUNE 30, 2013

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HESSION & PARE, PC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the New Hampshire Land and Community Heritage Investment Program Authority (a New Hampshire nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 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.

Board of Directors
New Hampshire Land and Community
Heritage Investment Program Authority

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, 2013 and 2012, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is 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.

HESSION, PARE, P.C.

Manchester, New Hampshire
September 23, 2013

NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash	\$ 695,803	\$ 597,644
Due from the State of New Hampshire	27,009	-
Prepaid expense	1,254	935
Security deposit	1,250	1,250
Property and equipment, net	<u>1,883</u>	<u>2,517</u>
Total assets	<u>\$ 727,199</u>	<u>\$ 602,346</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 4,687	\$ 607
Accrued payroll and related liabilities	<u>8,377</u>	<u>13,439</u>
Total liabilities	<u>13,064</u>	<u>14,046</u>
Net assets		
Unrestricted	714,135	588,300
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>714,135</u>	<u>588,300</u>
Total liabilities and net assets	<u>\$ 727,199</u>	<u>\$ 602,346</u>

See notes to financial statements.

NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	<u>2013</u>	<u>2012</u>
Support and revenues					
State of New Hampshire					
Conservation plate revenue	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ 200,000
Administration fees	167,500	-	-	167,500	253,920
Interest on appropriations	-	-	-	-	6,631
Interest income	307	-	-	307	795
Other income	12,100	-	-	12,100	586
Total support and revenues	<u>379,907</u>	<u>-</u>	<u>-</u>	<u>379,907</u>	<u>461,932</u>
Expenses					
Program services	212,355	-	-	212,355	202,752
General and administrative	41,717	-	-	41,717	58,136
Total expenses	<u>254,072</u>	<u>-</u>	<u>-</u>	<u>254,072</u>	<u>260,888</u>
Increase in net assets	125,835	-	-	125,835	201,044
Net assets, beginning of year	<u>588,300</u>	<u>-</u>	<u>-</u>	<u>588,300</u>	<u>387,256</u>
Net assets, end of year	<u>\$ 714,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,135</u>	<u>\$ 588,300</u>

See notes to financial statements.

NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 125,835	\$ 201,044
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	1,702	1,516
(Increase) decrease in due from State of New Hampshire	(27,009)	1,881
(Increase) decrease in prepaid expenses	(319)	1,666
Increase (decrease) in accounts payable	4,079	(1,285)
(Decrease) increase in accrued expenses	(5,062)	792
	<u>99,226</u>	<u>205,614</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	<u>(1,067)</u>	<u>-</u>
Net cash used for financing activities	(1,067)	-
Net increase in cash and cash equivalents	98,159	205,614
Cash and cash equivalents, beginning of year	<u>597,644</u>	<u>392,030</u>
Cash and cash equivalents, end of year	<u>\$ 695,803</u>	<u>\$ 597,644</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF ACTIVITIES

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 purpose 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 operations of the Authority through conservation license plate fees and interest income earned on appropriations made to the Trust Fund (used for grant making) and through administration fees drawn from the Trust Fund for administration of each grant round. Under the terms of the law that created the LCHIP, RSA 227-M:7-a, 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.

The Authority is a public instrumentality of the State. The Governor and Executive Council of the State appoints the Executive Director of the Authority, the eight public members of the Authority's Board of Directors (the "Board") and the heads of six state agencies who are also (non-voting) members of the Board. The public and the heads of the state agencies compose the majority of the Authority's Board. The four other members of the Board are appointed by the leaders of the two chambers of the state Legislature. The level of Trust Fund appropriations that provide the basis for both grant funding and 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. 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.

NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC) 958-205 and subsections. This Topic establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. This Topic further requires classification of net assets and its revenues, expenses, gains and losses into three categories, based on the existence or absence of externally imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The categories are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Authority.

Permanently Restricted – Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

The financial statements include certain prior-year's summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's audited financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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.

Cash

For the purpose of the statement of cash flows, cash consists of demand deposits and highly liquid investments with an initial maturity of three months or less.

Property, equipment and depreciation

Property and equipment are recorded at cost, or if acquired by donation, at fair market value at the date of acquisition. 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 ten years.

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of credit risk

The Authority maintains its cash balances in several national financial institutions. At certain times throughout the year, the balances in these accounts exceeded the maximum amount of \$250,000 of insurance provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2013, the Authority's uninsured cash balance totaled \$343,725.

NEW HAMPSHIRE LAND AND COMMUNITY
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NOTES TO FINANCIAL STATEMENTS

Note 3. DUE FROM THE STATE OF NEW HAMPSHIRE

The amount due from the State of New Hampshire of \$27,009 consists of amounts due from Moose Plate revenue and allowed transfer from the program's Community Conservation Endowment.

Note 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Computer software	\$ 33,748	\$ 33,748
Computer equipment	10,375	9,308
Office furniture	<u>2,427</u>	<u>2,427</u>
	46,550	45,483
Accumulated depreciation	<u>(44,667)</u>	<u>(42,966)</u>
	<u>\$ 1,883</u>	<u>\$ 2,517</u>

For the years ended June 30, 2013 and 2012, depreciation expense was \$1,702 and \$1,516, respectively.

Note 5. LEASES

The Authority leases a copier under a noncancelable operating lease and office space under an annual lease. For the years ended June 30, 2013 and 2012, rent expense on office space amounted to \$15,000.

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

Year ended <u>June 30,</u>	<u>Amount</u>
2014	\$ 17,480
2015	<u>1,837</u>
Total	<u>\$ 19,317</u>

NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. EMPLOYEE BENEFITS

Per RSA 227-M:6-a, the employees of the Authority are not classified as 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 of work or more in a normal calendar week and whose position is anticipated to have a duration of 6 months or more, is 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 full time 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 one employee 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 firefighters and police officers and Group II, which is for firefighters 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 increases to retirees.

NHRS is funded by contributions from both the employees and the Authority. Group I employees are required by State statute to contribute 7% 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 statute, contribute monthly at an actuarially determined rate. Effective July 1, 2012 through June 30, 2013, the contribution rate was set at 10.08% of covered payroll. For the years ended June 30, 2013 and 2012, the Authority's contributions to the NHRS were \$4,816 and \$5,204, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. EMPLOYEE BENEFITS (concluded)

401(a) Plan

During September 2008, the Authority established a 401(a) 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, 2013, the Executive Director is the only employee eligible to participate in the plan. There were no contributions made for the years ended June 30, 2013 and 2012.

Note 7. ACCRUED PAYROLL

The Authority's accrued payroll at June 30, 2013 and 2012 was \$5,737 and \$6,000, respectively.

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. At June 30, 2013 and 2012, the accrued employee time-off balance was \$2,639 and \$7,439, respectively.

Note 8. SELF-INSURANCE

The Authority acts as a self-insurer for unemployment claims. For the years ended June 30, 2013 and 2012, the Authority paid claims totaling \$0 and \$6,444, respectively.

Note 9. CONCENTRATIONS OF RISK

The Authority provides grants for conservation of natural, historical and cultural resources in the State of New Hampshire. Since 2009, surcharges on some documents filed at County Registry of Deeds have been the intended source of funding for the Trust Fund for grants.

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

NOTES TO FINANCIAL STATEMENTS

Note 9. CONCENTRATIONS OF RISK (concluded)

The State's biennial budget for fiscal years 2012 and 2013 assigned all of the recording surcharge revenue that was designed for the Authority's Trust Fund to the General Fund, except for \$120,000 per year for administrative expenses. This substantially reduced the amount of money available to grant in FY 12 and provided no money for grant funding in FY 13. Part of the Authority's operating revenue is based on interest on the grant funds and fees drawn from the grant funds, so when there is less grant money, there is less administrative money. The level of State funding through the end of FY 2013 allowed for the continuation of normal administrative operations for the Authority.

The State's biennial budget for fiscal years 2014 and 2015 assigns the full income from the surcharge to the Authority for grant making and other costs. This represents a dramatic improvement in support to the Authority and virtually assures the strength of the program for the current biennium. However, the program is regularly at risk at the beginning of each state biennium because of the dependence on its funding on the decisions of the legislature. Future decreases in the funding level through additional reallocations of the recording surcharge income in the state budget, if material, could adversely impact the ability of the Authority to conduct normal business operations in the future.

Note 10. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through September 23, 2013, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2013.

NEW HAMPSHIRE LAND AND COMMUNITY
HERITAGE INVESTMENT PROGRAM AUTHORITY

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013
(with comparative totals for the Year Ended June 30, 2012)

	Program Services	General and Administrative	<u>2013</u>	<u>2012</u>
Salaries and wages	\$ 120,558	\$ 20,726	\$ 141,284	\$ 137,156
Employee benefits	41,579	7,337	48,916	46,751
Rent and utilities	11,550	3,450	15,000	15,000
Professional fees	11,697	2,924	14,621	24,957
Payroll taxes	9,517	1,679	11,196	10,517
Project signage	6,924	-	6,924	1,321
Office expense	4,064	1,214	5,278	7,248
Travel and entertainment	2,621	783	3,404	4,068
Telephone and internet	2,132	637	2,769	2,722
Insurance	402	2,281	2,683	2,522
Depreciation	1,311	391	1,702	1,516
Professional development	-	295	295	666
Unemployment compensation	-	-	-	6,444
Total expenses	<u>\$ 212,355</u>	<u>\$ 41,717</u>	<u>\$ 254,072</u>	<u>\$ 260,888</u>

See notes to financial statements.