

NEW HAMPSHIRE
HISTORICAL SOCIETY

FINANCIAL REPORT

SEPTEMBER 30, 2006

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, 2006 and 2005 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.

As explained in Note 11 to the financial statements, collections acquired by the New Hampshire Historical Society are not capitalized. The Society has not used or restricted all of the proceeds from sales of collection items to acquire or conserve other items for collections. In our opinion, accounting principles generally accepted in the United States of America require an entity which does not recognize and capitalize its collections to adopt and adhere to a formal policy requiring the proceeds from sales of collection items to be used to acquire other items for collections. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable.

In our opinion, except for the effects of not capitalizing collections and not using or restricting all of the proceeds from sales of collection items to acquire other items for collections, as discussed in the preceding paragraph, 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, 2006 and 2005, 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 4, 2007

NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2006

ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash	\$ 220,722	\$ 201,349	\$ 63,561	\$ 485,632
Inventory	77,023	-	-	77,023
Prepaid expenses	38,626	-	-	38,626
Pledges/grants receivable, net of discount	37,902	-	198,729	236,631
Accounts receivable	5,785	-	-	5,785
Cash surrender value of life insurance	19,169	-	-	19,169
Total current assets	\$ 399,227	\$ 201,349	\$ 262,290	\$ 862,866
NONCURRENT ASSETS				
Pledges/grants receivable, net of discount	-	-	119,375	119,375
PROPERTY AND EQUIPMENT, NET	4,825,991	-	-	4,825,991
INVESTMENTS	6,911,534	-	2,258,732	9,170,266
TOTAL ASSETS	\$ 12,136,752	\$ 201,349	\$ 2,640,397	\$ 14,978,498

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	\$ 14,085	\$ -	\$ -	\$ 14,085
Accrued expenses	49,506	-	-	49,506
Deferred revenue	8,435	-	-	8,435
Notes payable	149,895	-	-	149,895
Total current liabilities	\$ 221,921	\$ -	\$ -	\$ 221,921
NET ASSETS				
Unrestricted:				
Net investment in property and equipment	\$ 4,825,990	\$ -	\$ -	\$ 4,825,990
Designated:				
Operations	140,576	-	-	140,576
Investments	2,901,613	-	-	2,901,613
Undesignated:				
Operations	18,098	-	-	18,098
Investments	4,028,554	-	-	4,028,554
Temporarily restricted	-	201,349	-	201,349
Permanently restricted	-	-	2,640,397	2,640,397
Total net assets	\$ 11,914,831	\$ 201,349	\$ 2,640,397	\$ 14,756,577
TOTAL LIABILITIES AND NET ASSETS	\$ 12,136,752	\$ 201,349	\$ 2,640,397	\$ 14,978,498

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

NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2005

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS				
Cash	\$ 166,785	\$ 226,995	\$ -	\$ 393,780
Inventory	38,534	-	-	38,534
Prepaid expenses	44,709	-	-	44,709
Pledges and grants receivable	26,789	-	-	26,789
Accounts receivable	11,829	-	-	11,829
Cash surrender value of life insurance	16,312	-	-	16,312
Total current assets	<u>\$ 304,958</u>	<u>\$ 226,995</u>	<u>\$ -</u>	<u>\$ 531,953</u>
PROPERTY AND EQUIPMENT, NET	5,057,501	-	-	5,057,501
INVESTMENTS	<u>6,520,606</u>	<u>-</u>	<u>2,013,729</u>	<u>8,534,335</u>
TOTAL ASSETS	<u><u>\$ 11,883,065</u></u>	<u><u>\$ 226,995</u></u>	<u><u>\$ 2,013,729</u></u>	<u><u>\$ 14,123,789</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	\$ 32,118	\$ -	\$ -	\$ 32,118
Accrued expenses	37,931	-	-	37,931
Deferred revenue	4,960	-	-	4,960
Notes payable	149,936	-	-	149,936
Total current liabilities	<u>\$ 224,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,945</u>
NET ASSETS				
Unrestricted				
Net investment in property and equipment	\$ 5,057,501	\$ -	\$ -	\$ 5,057,501
Designated:				
Operations	96,880	-	-	96,880
Investments	2,564,064	-	-	2,564,064
Undesignated:				
Operations	209,082	-	-	209,082
Investments	3,736,849	-	-	3,736,849
Temporarily restricted	-	226,995	-	226,995
Permanently restricted	-	-	2,013,729	2,013,729
Total net assets	<u>\$ 11,664,376</u>	<u>\$ 226,995</u>	<u>\$ 2,013,729</u>	<u>\$ 13,905,100</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,889,321</u></u>	<u><u>\$ 226,995</u></u>	<u><u>\$ 2,013,729</u></u>	<u><u>\$ 14,130,045</u></u>

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

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTED SUPPORT				
Contributions and memberships	\$ 497,946	\$ 913	\$ 410,346	\$ 909,205
Grants and contracts restricted to current and future years' activities	116,821	207,909	-	324,730
Contributed goods and services	15,798	-	-	15,798
Total contributed support	<u>\$ 630,565</u>	<u>\$ 208,822</u>	<u>\$ 410,346</u>	<u>\$ 1,249,733</u>
INVESTMENT AND EARNED INCOME				
Earned income and special events	\$ 309,088	\$ 1,415	\$ -	\$ 310,503
Rental income, net of related expenses	383,613	-	-	383,613
Kimball Trust and Watson Trust income	94,094	-	-	94,094
Investment income, actual dividends and interest	164,535	-	58,255	222,790
Other interest income	17,026	-	-	17,026
Total investment and earned income	<u>\$ 968,356</u>	<u>\$ 1,415</u>	<u>\$ 58,255</u>	<u>\$ 1,028,026</u>
SUPPORT AND REVENUES, BEFORE INVESTMENT GAINS (LOSSES) AND NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>\$ 1,598,921</u>	<u>\$ 210,237</u>	<u>\$ 468,601</u>	<u>\$ 2,277,759</u>
Realized investment gains (losses), net of investment expenses of \$57,070	<u>\$ 18,487</u>	<u>\$ -</u>	<u>\$ 22,901</u>	<u>\$ 41,388</u>
SUPPORT AND REVENUES, BEFORE NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>\$ 1,617,408</u>	<u>\$ 210,237</u>	<u>\$ 491,502</u>	<u>\$ 2,319,147</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>\$ 135,882</u>	<u>\$ (235,882)</u>	<u>\$ 100,000</u>	<u>\$ -</u>
TOTAL SUPPORT AND REVENUES				
	<u>\$ 1,753,290</u>	<u>\$ (25,645)</u>	<u>\$ 591,502</u>	<u>\$ 2,319,147</u>
EXPENSES				
PROGRAM SERVICE EXPENSES				
Museum	\$ 235,199	\$ -	\$ -	\$ 235,199
Exhibits	121,978	-	-	121,978
Library	216,381	-	-	216,381
Education	128,681	-	-	128,681
Publications	83,224	-	-	83,224
Museum store and visitor services	156,016	-	-	156,016
Buildings, grounds, and security	96,016	-	-	96,016
Total program service expenses	<u>\$ 1,037,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,037,495</u>

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

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORTING SERVICES AND GENERAL INSTITUTION EXPENSES				
Membership, development and public relations	\$ 294,534	\$ -	\$ -	\$ 294,534
Administration	284,828	-	-	284,828
Depreciation expense	181,387	-	-	181,387
Total supporting services and general institution expenses	<u>\$ 760,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 760,749</u>
TOTAL EXPENSES	<u>\$ 1,798,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,798,244</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES BEFORE COLLECTION ACQUISITIONS AND UNREALIZED GAIN (LOSS)	<u>\$ (44,954)</u>	<u>\$ (25,645)</u>	<u>\$ 591,502</u>	<u>\$ 520,903</u>
COLLECTION ITEMS ACQUIRED BY PURCHASE				
Museum	\$ 31,074	\$ -	\$ -	\$ 31,074
Library	31,522	-	-	31,522
Total collection items acquired by purchase	<u>\$ 62,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,596</u>
TRANSFER OF FUNDS IN ACCORDANCE WITH THE INVESTMENT RETURN POLICY	<u>\$ 66,222</u>	<u>\$ -</u>	<u>\$ (66,222)</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES BEFORE UNREALIZED GAIN (LOSS)	\$ (41,328)	\$ (25,645)	\$ 525,280	\$ 458,307
Unrealized Investment Gain	<u>300,638</u>	<u>-</u>	<u>92,532</u>	<u>393,170</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 259,310	\$ (25,645)	\$ 617,812	\$ 851,477
NET ASSETS, BEGINNING OF YEAR	<u>11,655,521</u>	<u>226,994</u>	<u>2,022,585</u>	<u>13,905,100</u>
NET ASSETS, ENDING	<u><u>\$ 11,914,831</u></u>	<u><u>\$ 201,349</u></u>	<u><u>\$ 2,640,397</u></u>	<u><u>\$ 14,756,577</u></u>

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

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CONTRIBUTED SUPPORT				
Contributions and memberships	\$ 490,059	\$ 168,378	\$ 46,475	\$ 704,912
Grants and contracts restricted to current and future years' activities	6,041	51,277	-	57,318
Contributed goods and services	30,723	-	-	30,723
Total contributed support	<u>\$ 526,823</u>	<u>\$ 219,655</u>	<u>\$ 46,475</u>	<u>\$ 792,953</u>
INVESTMENT AND EARNED INCOME				
Earned income and special events	\$ 275,439	\$ -	\$ -	\$ 275,439
Rental income, net of related expenses	365,743	-	-	365,743
Kimball Trust and Watson Trust income	93,230	-	-	93,230
Investment income, actual dividends and interest	182,068	-	54,518	236,586
Other interest income	7,179	-	-	7,179
Total investment and earned income	<u>\$ 923,659</u>	<u>\$ -</u>	<u>\$ 54,518</u>	<u>\$ 978,177</u>
SUPPORT AND REVENUES, BEFORE INVESTMENT GAINS (LOSSES) AND NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>\$ 1,450,482</u>	<u>\$ 219,655</u>	<u>\$ 100,993</u>	<u>\$ 1,771,130</u>
Realized investment gains (losses), net of investment expenses of \$61,689	<u>\$ 909,250</u>	<u>\$ -</u>	<u>\$ 280,692</u>	<u>\$ 1,189,942</u>
SUPPORT AND REVENUES, BEFORE NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>\$ 2,359,732</u>	<u>\$ 219,655</u>	<u>\$ 381,685</u>	<u>\$ 2,961,072</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>\$ 69,926</u>	<u>\$ (69,926)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL SUPPORT AND REVENUES				
	<u>\$ 2,429,658</u>	<u>\$ 149,729</u>	<u>\$ 381,685</u>	<u>\$ 2,961,072</u>
EXPENSES				
PROGRAM SERVICE EXPENSES				
Museum	\$ 144,882	\$ -	\$ -	\$ 144,882
Exhibits	135,401	-	-	135,401
Library	259,853	-	-	259,853
Education	133,833	-	-	133,833
Publications	36,556	-	-	36,556
Museum store and visitor services	171,003	-	-	171,003
Buildings, grounds, and security	149,239	-	-	149,239
Total program service expenses	<u>\$ 1,030,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,030,767</u>

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

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2005*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORTING SERVICES AND GENERAL INSTITUTION EXPENSES				
Membership, development and public relations	\$ 261,641	\$ -	\$ -	\$ 261,641
Administration	394,233	-	-	394,233
Depreciation expense	187,669	-	-	187,669
Total supporting services and general institution expenses	<u>\$ 843,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 843,543</u>
TOTAL EXPENSES	<u>\$ 1,874,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,874,310</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES BEFORE COLLECTION ACQUISITIONS AND UNREALIZED GAIN (LOSS)	<u>\$ 555,348</u>	<u>\$ 149,729</u>	<u>\$ 381,685</u>	<u>\$ 1,086,762</u>
COLLECTION ITEMS ACQUIRED BY PURCHASE				
Museum	\$ 15,936	\$ -	\$ -	\$ 15,936
Library	15,029	-	-	15,029
Total collection items acquired by purchase	<u>\$ 30,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,965</u>
TRANSFER OF FUNDS IN ACCORDANCE WITH THE INVESTMENT RETURN POLICY	<u>\$ 65,681</u>	<u>\$ -</u>	<u>\$ (65,681)</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUES OVER EXPENSES BEFORE UNREALIZED GAIN (LOSS)	\$ 590,064	\$ 149,729	\$ 316,004	\$ 1,055,797
Unrealized Investment Loss	<u>(567,082)</u>	<u>-</u>	<u>(174,902)</u>	<u>(741,984)</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 22,982	\$ 149,729	\$ 141,102	\$ 313,813
NET ASSETS, BEGINNING OF YEAR	<u>11,632,539</u>	<u>77,265</u>	<u>1,881,483</u>	<u>13,591,287</u>
NET ASSETS, ENDING	<u>\$ 11,655,521</u>	<u>\$ 226,994</u>	<u>\$ 2,022,585</u>	<u>\$ 13,905,100</u>

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

*NEW HAMPSHIRE HISTORICAL SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005*

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 851,477	\$ 313,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	247,436	251,899
Unrealized (gain) loss on investments	(393,170)	741,984
Net (gains) losses on investments	(41,388)	(1,250,238)
(Increase) decrease in cash surrender value of life insurance	(2,857)	(2,842)
Receipt of restricted donations	(410,346)	(46,475)
(Increase) decrease in inventory	(38,489)	17,286
(Increase) decrease in prepaid expenses	6,083	10,494
(Increase) decrease in pledges and grants receivable	(329,217)	5,216
(Increase) decrease in accounts receivable	6,044	6,632
Increase (decrease) in accounts payable and accrued expenses	(6,458)	15,496
Increase (decrease) in deferred revenue	<u>3,475</u>	<u>1,840</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (107,410)</u>	<u>\$ 65,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	\$ 2,519,207	\$ 5,093,817
Purchase of investment securities, net of transfers	(2,714,324)	(5,150,039)
Purchase of property and equipment	<u>(15,926)</u>	<u>(150,075)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ (211,043)</u>	<u>\$ (206,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of restricted donations	\$ 410,346	\$ 46,475
Increase (decrease) in line of credit	<u>(41)</u>	<u>149,936</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>\$ 410,305</u>	<u>\$ 196,411</u>
Net increase (decrease) in cash	\$ 91,852	\$ 55,219
CASH - BEGINNING	<u>393,780</u>	<u>338,561</u>
CASH - ENDING	<u>\$ 485,632</u>	<u>\$ 393,780</u>

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

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005*

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.

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.

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, 2006 and 2005 amounted to \$620,261 and \$745,093, 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.

NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

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 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 2006 and 2005, the spending limit was based on 5% of the average fair value of the investment portfolio determined over a five-year period.

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:

	<u>Years</u>
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 \$9,606 and \$16,644, respectively, for the years ended September 30, 2006 and 2005.

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.

NEW HAMPSHIRE HISTORICAL SOCIETY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006 AND 2005

NOTE 2 - INVESTMENTS

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

Investments at September 30, 2006 were comprised of the following:

	Cost	Market
Cash	\$ 614	\$ 614
Fixed value money funds	395,000	395,000
U.S. Governmental obligations	1,181,932	1,162,419
Corporate bonds	1,804,579	1,810,990
Common stocks	4,415,372	5,801,243
	<u>\$ 7,797,497</u>	<u>\$ 9,170,266</u>

Investment return is summarized as follows:

	Unrestricted	Permanently Restricted	Total
Unrealized gains (losses)	\$ 300,638	\$ 92,532	\$ 393,170
Realized gains (losses)	66,541	31,917	98,458
Investment expenses	(43,640)	(13,430)	(57,070)
Investment income, dividends and interest	164,535	58,255	222,790
	<u>\$ 488,074</u>	<u>\$ 169,274</u>	<u>\$ 657,348</u>
Withdrawals in accordance with spending policy	\$ 309,822	\$ 66,222	\$ 376,044
Unspent withdrawals returned to investment	-	-	-
Net Investment Return Policy Transfers	<u>\$ 309,822</u> ⁽¹⁾	<u>\$ 66,222</u> ⁽²⁾	<u>\$ 376,044</u>

(1) *Intrafund transfer - memo only*

(2) *Interfund transfer - reflected in statements of activities*

Investments at September 30, 2005 were comprised of the following:

	Cost	Market
Cash	\$ 37,628	\$ 37,628
Fixed value money funds	607,200	607,200
U.S. Governmental obligations	1,401,731	1,385,727
Corporate bonds	1,573,715	1,556,649
Common stocks	3,934,999	4,947,131
	<u>\$ 7,555,273</u>	<u>\$ 8,534,335</u>

Investment return is summarized as follows:

	Unrestricted	Permanently Restricted	Total
Unrealized gains (losses)	\$ (567,082)	\$ (174,902)	\$ (741,984)
Realized gains (losses)	909,250	280,692	1,189,942
Investment expenses	(47,027)	(14,662)	(61,689)
Investment income, dividends and interest	182,068	54,518	236,586
	<u>\$ 477,209</u>	<u>\$ 145,646</u>	<u>\$ 622,855</u>
Withdrawals in accordance with spending policy	\$ 317,816	\$ 65,680	\$ 383,496
Unspent withdrawals returned to investment	-	-	-
Net Investment Return Policy Transfers	<u>\$ 317,816</u> ⁽¹⁾	<u>\$ 65,680</u> ⁽²⁾	<u>\$ 383,496</u>

(1) *Intrafund transfer - memo only*

(2) *Interfund transfer - reflected in statements of activities*

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005*

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable as of September 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Total	\$ 37,902	\$ 26,790
Less reserve for uncollectible amounts	-	-
	<u>\$ 37,902</u>	<u>\$ 26,790</u>

Restricted pledges receivable as of September 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Payable within one year	\$ 215,004	\$ -
Payable in one to five years	125,482	-
Restricted pledges receivable before discount	\$ 340,486	\$ -
Less: Fair value discount	(22,382)	-
Total	<u>\$ 318,104</u>	<u>\$ -</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2006 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	4,073,856	578,125	4,651,981
Equipment and fixtures	849,674	-	849,674
Permanent exhibit	153,296	-	153,296
	<u>\$ 5,996,014</u>	<u>\$ 1,714,725</u>	<u>\$ 7,710,739</u>
Less: accumulated depreciation	2,271,062	613,685	2,884,747
Property and equipment, net	<u>\$ 3,724,952</u>	<u>\$ 1,101,040</u>	<u>\$ 4,825,992</u>

Property and equipment as of September 30, 2005 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	4,073,856	578,125	4,651,981
Equipment and fixtures	833,747	-	833,747
Permanent exhibit	153,296	-	153,296
	<u>\$ 5,980,087</u>	<u>\$ 1,714,725</u>	<u>\$ 7,694,812</u>
Less: accumulated depreciation	2,089,675	547,635	2,637,310
Property and equipment, net	<u>\$ 3,890,412</u>	<u>\$ 1,167,090</u>	<u>\$ 5,057,502</u>

NEW HAMPSHIRE HISTORICAL SOCIETY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006 AND 2005

NOTE 5 - DESIGNATED NET ASSETS

The Society's Board-designated net assets at September 30, 2006 and 2005 are comprised as follows:

	2006	2005
<u>Operations designations:</u>		
Plant fund operating cash	\$ 138,576	\$ 75,125
Plant fund receivables	2,000	2,000
Current encumbrances	-	13,499
Permanently restricted, receivable		6,256
	<u>\$ 140,576</u>	<u>\$ 96,880</u>
<u>Designated investments, at market value:</u>		
Edith W Atkins Fund	\$ 5,306	\$ 5,123
Jessie H. Rablin Fund	44,553	43,024
Lane Dwinell Fund	26,343	25,438
Mary H. Woodbury Fund	119,662	115,553
John L. Frisbee Education Fund	65,615	61,702
Plant - for building repairs and maintenance	128,280	120,244
Plant - for endowment	116,114	115,760
Ruth E. Pearson Fund	137,869	133,135
Philip B. and Nelle L. Holmes Fund	51,645	47,510
Library disposal	146,931	141,887
Publications	123,829	119,581
Katharine Prentis Murphy Fund-acquisitions/conservation	666,022	662,655
Katharine Prentis Murphy Fund-for endowment	702,542	658,778
Natalie Hoyt Fund	102,144	98,614
June Campbell Hoyt Fund	392,598	150,000
Collections care and acquisitions	52,991	48,748
Life insurance - planned giving	19,169	16,312
	<u>\$ 2,901,613</u>	<u>\$ 2,564,064</u>
<u>Total designations</u>	<u>\$ 3,042,189</u>	<u>\$ 2,660,944</u>

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.

NEW HAMPSHIRE HISTORICAL SOCIETY
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2006 AND 2005

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

The Society's temporarily restricted net assets at September 30, 2006 and 2005 are comprised as follows:

	<u>2006</u>	<u>2005</u>
Education programs	\$ -	\$ 10,000
White Mountain art exhibition	-	10,418
Upper Valley Planned Giving Council	-	60
Conservation	-	2,271
Library catalog	53,249	53,249
State survey	-	7,997
Education "center"	-	20,000
Tuck pre-construction plan	23,000	23,000
NEH challenge grant	100,000	100,000
Dorothy Vaughan collection processing	25,000	
Klaudia Shepard	1,451	-
Bruce Barmby	100	-
	<u>\$ 202,800</u>	<u>\$ 226,995</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

The Society's permanently restricted net assets at September 30, 2006 are comprised as follows:

	<u>Book Value</u>	<u>Market Value</u>
Perry-Dudley Family Archive and Shepard Collection Fund	\$ 28,928	\$ 28,994
Asa Currier Tilton Fund	74,855	84,542
William C. Todd Fund	253,432	289,514
Edith Shepard Freeman/Margaret H. Jewell Fund	1,164,849	1,325,280
Edward C. and Elizabeth F. Lathem Fund	28,032	30,895
Philip B. and Nelle L. Holmes Fund	1,921	2,149
Charles S. Parsons Fund	50,213	46,174
Leonard K. Dodge Fund	28,737	26,208
Concord Tower Clock Fund	61,489	48,949
Annalee Thorndike Fund	27,191	24,993
Jere R. Daniell Publications Fund	25,223	22,668
George F. Sawyer Memorial Fund	30,971	28,189
Roger F. Woodman Fund	27,337	21,098
John L. Frisbee Education Fund	15,441	14,180
Duncan S McGowan Memorial Fund	29,237	27,812
Anonymous	90,117	83,860
Robert O. Wilson, D.D.S., Historical Research Fund	24,579	25,607
Raymon S. Vaughan Baseball Fund	15,804	16,572
Mary W. Vaughan Fund	10,536	11,048
NEH Challenge	100,000	100,000
Uninvested cash	63,561	63,561
Permanently restricted receivables	318,104	318,104
<u>Total</u>	<u>\$ 2,470,557</u>	<u>\$ 2,640,397</u>

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005*

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS (Continued)

The Society's permanently restricted net assets at September 30, 2005 are comprised as follows:

	<u>Book Value</u>	<u>Market Value</u>
Perry-Dudley Family Archive and Shepard Collection Fund	\$ 26,438	\$ 25,309
Asa Currier Tilton Fund	75,223	81,236
William C. Todd Fund	242,548	266,331
Edith Shepard Freeman/Margaret H. Jewell Fund	1,164,777	1,267,747
Edward C. and Elizabeth F. Lathem Fund	26,870	28,421
Philip B. and Nelle L. Holmes Fund	1,840	1,977
Charles S. Parsons Fund	47,995	42,007
Leonard K. Dodge Fund	27,751	24,109
Concord Tower Clock Fund	61,942	47,269
Annalee Thorndike Fund	27,422	24,135
Jere R. Daniell Publications Fund	22,015	18,457
George F. Sawyer Memorial Fund	7,789	4,392
Roger F. Woodman Fund	27,533	20,374
John L. Frisbee Education Fund	15,572	13,693
Duncan S McGowan Memorial Fund	29,241	26,610
Anonymous	90,839	80,929
Robert O. Wilson, D.D.S., Historical Research Fund	15,325	15,325
Raymon S. Vaughan Baseball Fund	15,181	15,245
Mary W. Vaughan Fund	10,120	10,163
Total	<u>\$ 1,936,421</u>	<u>\$ 2,013,729</u>

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, 2006 and 2005 amounted to \$32,934 and \$28,024, 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. The credit line is secured by substantially all business assets. As of September 30, 2006 and 2005, the outstanding balance on the line of credit was \$149,895 and \$149,936, respectively.

*NEW HAMPSHIRE HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005*

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, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Rental income, building and parking	\$ 718,537	\$ 709,790
Expenses:		
Utilities	\$ 73,215	\$ 56,982
Maintenance and repairs	44,609	43,454
Real estates taxes	64,913	73,326
Janitorial	24,678	24,563
Security	6,368	2,860
Trash, snow and other services	26,370	23,053
Management fees and commissions	26,679	54,456
Other administrative costs	2,042	1,123
Depreciation expense	66,049	64,230
Total expenses	<u>\$ 334,923</u>	<u>\$ 344,047</u>
Net rental earnings	<u>\$ 383,614</u>	<u>\$ 365,743</u>

The following is a schedule by years of future minimum rentals under the leases at September 30, 2006:

<u>Year Ending September 30</u>	
2007	\$ 520,548
2008	281,412
2009	281,412
2010	211,059
2011	-
<u>Total</u>	<u>\$ 1,294,431</u>

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. The Society has historically used a portion of earnings from these assets for its operations rather than solely for acquisition and conservation of collections. For the years ended September 30, 2006 and 2005, income from these assets used for operations amounted to \$6,703 and \$20,099, respectively. It is the Society's intent to eventually cease using income from these assets for operations. At such time as the Society completely adheres to the policy discussed above, then it will be in compliance with accounting principles generally accepted in the United States of America.

*NEW HAMPSHIRE HISTORICAL SOCIETY
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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 \$65,432 and \$53,929, respectively, for the years ended September 30, 2006 and 2005, 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 \$7,740 and \$9,959, respectively, for the calendar years 2006 and 2005. Distributions totaling \$7,694 and \$7,830, respectively, were received by the Society during the years ended September 30, 2006 and 2005.

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 \$85,200, respectively, for the fiscal years ended July 31, 2006 and 2005. Distributions totaling \$86,400 and \$85,400, respectively, were received by the Society during the years ended September 30, 2006 and 2005.

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, 2006 and 2005 amounted to \$15,798 and \$22,884, 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, 2006 and 2005 amounted to \$-0- and \$7,839, 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.

NOTE 14 - CONTINGENCY

The Society was the recipient of a \$504,900 grant from the New Hampshire Community Development Finance Authority during 1994 and 1995, for the purposes of renovating its museum property at Eagle Square in Concord, New Hampshire. For a ten year period expiring May 26, 2005, the Society agreed that if the property were disposed, the grant would then be refundable to the Authority. This contingency no longer applies as of September 30, 2005.

NOTE 15 - CONCENTRATION OF CREDIT RISK

The Society's cash and equivalents reflected in current assets are maintained in four 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, 2006 and 2005, the Society's uninsured cash balances at these banks amounted to \$250,067 and \$151,933, respectively. In addition, investments include \$620,261 and \$745,093, respectively, of cash equivalents at September 30, 2006 and 2005. Deposits in these accounts are not classified as deposits insured by the FDIC.