

NEW HAMPSHIRE BAR FOUNDATION

FINANCIAL REPORT

MAY 31, 2015

## CONTENTS

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statements of financial position .....	2
Statements of activities and changes in net assets .....	3
Statements of cash flows.....	4
Notes to financial statements.....	5-11



**NATHAN WECHSLER & COMPANY**  
PROFESSIONAL ASSOCIATION  
**CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
New Hampshire Bar Foundation  
Concord, New Hampshire 03301

We have audited the accompanying statements of financial position of New Hampshire Bar Foundation as of May 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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 from 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 also 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Bar Foundation as of May 31, 2015 and 2014, and the results of its operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 to the financial statements, the organization has had numerous significant transactions with an organization controlled by, and with people who are related to, the officers and directors of the entity. Our opinion is not modified with respect to this matter.

*Nathan Wechsler & Company*

Concord, New Hampshire  
February 12, 2016

NEW HAMPSHIRE BAR FOUNDATION

STATEMENTS OF FINANCIAL POSITION

May 31, 2015 and 2014

		<i>ASSETS</i>	
		2015	2014
<b>CURRENT ASSETS</b>			
Cash	\$	396,522	\$ 336,348
Cash - restricted		512,103	423,416
Contributions receivable		-	700
Prepaid expenses		2,010	14,415
Current portion of note receivable, related party		12,947	13,455
		<hr/>	<hr/>
<i>Total current assets</i>		923,582	788,334
<b>INVESTMENTS AND OTHER ASSETS</b>			
Software, net of accumulated depreciation of \$444		7,556	-
Investments		81,997	82,038
Long-term portion of note receivable, related party		350,181	363,128
Beneficial interest in assets held by the New Hampshire Charitable Foundation		942,426	855,142
		<hr/>	<hr/>
		1,382,160	1,300,308
		<hr/>	<hr/>
<i>Total assets</i>	<b>\$</b>	<b>2,305,742</b>	<b>\$ 2,088,642</b>
<b>LIABILITIES AND NET ASSETS</b>			
		2015	2014
<b>CURRENT LIABILITIES</b>			
Grants payable	\$	-	\$ 450
Funds held for others		1,906	9,980
Accrued expenses		1,042	171
Due to the New Hampshire Bar Association		22,002	33,249
		<hr/>	<hr/>
<i>Total current liabilities and total liabilities</i>		24,950	43,850
<b>COMMITMENTS (See Notes)</b>			
<b>NET ASSETS</b>			
Unrestricted		569,532	543,309
Temporarily restricted:			
IOLTA		314,194	433,057
Other funds		444,340	198,640
		<hr/>	<hr/>
Total temporarily restricted		758,534	631,697
Permanently restricted		952,726	869,786
		<hr/>	<hr/>
<i>Total net assets</i>		2,280,792	2,044,792
		<hr/>	<hr/>
<i>Total liabilities and net assets</i>	<b>\$</b>	<b>2,305,742</b>	<b>\$ 2,088,642</b>

NEW HAMPSHIRE BAR FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended May 31, 2015 and 2014

	2015					2014				
	Unrestricted	Temporarily restricted		Permanently restricted	Totals	Unrestricted	Temporarily restricted		Permanently restricted	Totals
		IOLTA	Other funds				IOLTA	Other funds		
Revenues, gains and other support:										
Contributions	\$ 45,518	\$ -	\$ 247,900	\$ 72,805	\$ 366,223	\$ 51,812	\$ -	\$ 2,150	\$ 10,244	\$ 64,206
In-kind contributions	2,600	-	-	-	2,600	3,050	-	-	-	3,050
Interest on Lawyers' Trust Accounts	-	908,402	-	-	908,402	-	969,989	-	-	969,989
Events and other income	27,600	-	-	-	27,600	15	-	-	-	15
Investment income	16,228	4,873	610	-	21,711	14,148	4,963	35,277	-	54,388
<i>Total revenues, gains and other support</i>	<u>91,946</u>	<u>913,275</u>	<u>248,510</u>	<u>72,805</u>	<u>1,326,536</u>	<u>69,025</u>	<u>974,952</u>	<u>37,427</u>	<u>10,244</u>	<u>1,091,648</u>
Net assets released from restrictions for satisfaction of program restrictions	1,034,948	(1,032,138)	(2,810)	-	-	943,861	(891,459)	(52,402)	-	-
	<u>1,126,894</u>	<u>(118,863)</u>	<u>245,700</u>	<u>72,805</u>	<u>1,326,536</u>	<u>1,012,886</u>	<u>83,493</u>	<u>(14,975)</u>	<u>10,244</u>	<u>1,091,648</u>
Expenses:										
Program services:										
Grants and awards	961,000	-	-	-	961,000	832,587	-	-	-	832,587
Allocated support services	76,408	-	-	-	76,408	118,166	-	-	-	118,166
<i>Total program services</i>	<u>1,037,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,037,408</u>	<u>950,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>950,753</u>
Support services:										
Administrative	29,861	-	-	-	29,861	45,235	-	-	-	45,235
Fundraising expense	31,152	-	-	-	31,152	19,184	-	-	-	19,184
<i>Total support services</i>	<u>61,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,013</u>	<u>64,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,419</u>
<i>Total expenses</i>	<u>1,098,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,098,421</u>	<u>1,015,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015,172</u>
Transfer from unrestricted to permanently restricted (Note 5)	(2,250)	-	-	2,250	-	(2,700)	-	-	2,700	-
Other change:										
Change in value of beneficial interest in assets held by the New Hampshire Charitable Foundation	-	-	-	7,885	7,885	-	-	-	89,330	89,330
Increase (decrease) in unrestricted net assets	26,223	-	-	-	26,223	(4,986)	-	-	-	(4,986)
Increase (decrease) in temporarily restricted net assets	-	(118,863)	245,700	-	126,837	-	83,493	(14,975)	-	68,518
Increase in permanently restricted net assets	-	-	-	82,940	82,940	-	-	-	102,274	102,274
<i>Increase (decrease) in net assets</i>	<u>26,223</u>	<u>(118,863)</u>	<u>245,700</u>	<u>82,940</u>	<u>236,000</u>	<u>(4,986)</u>	<u>83,493</u>	<u>(14,975)</u>	<u>102,274</u>	<u>165,806</u>
Net assets, beginning of the year	543,309	433,057	198,640	869,786	2,044,792	548,295	349,564	213,615	767,512	1,878,986
<i>Net assets, end of the year</i>	<u>\$ 569,532</u>	<u>\$ 314,194</u>	<u>\$ 444,340</u>	<u>\$ 952,726</u>	<u>\$ 2,280,792</u>	<u>\$ 543,309</u>	<u>\$ 433,057</u>	<u>\$ 198,640</u>	<u>\$ 869,786</u>	<u>\$ 2,044,792</u>

NEW HAMPSHIRE BAR FOUNDATION

STATEMENTS OF CASH FLOWS  
 Years Ended May 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 236,000	\$ 165,806
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	444	-
Increase in value of beneficial interest in assets held by the New Hampshire Charitable Foundation	(87,284)	(102,880)
Gifts restricted for endowment	(72,805)	(10,244)
Reinvested interest and dividends net of fees	41	-
Increase in restricted cash	(88,687)	(80,254)
Decrease in contributions receivable	700	1,061
(Increase) decrease in prepaid expenses	12,405	(9,415)
Decrease in grants payable	(450)	(5,074)
Decrease in funds held for others	(8,074)	(150)
Increase (decrease) in accrued expenses	871	(3,977)
Increase (decrease) in amounts due to others	(11,247)	23,590
	<u>(18,086)</u>	<u>(21,537)</u>
<i>Net cash used in operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of software	(8,000)	-
Proceeds from sale of investments	-	20,855
Proceeds received from note receivable, related party	13,455	10,938
	<u>5,455</u>	<u>31,793</u>
<i>Net cash provided by investing activities</i>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gifts restricted for endowment	<u>72,805</u>	<u>10,244</u>
	<u>60,174</u>	<u>20,500</u>
<i>Net increase in cash</i>		
Cash, beginning of year	<u>336,348</u>	<u>315,848</u>
<i>Cash, end of year</i>	<u>\$ 396,522</u>	<u>\$ 336,348</u>

# NEW HAMPSHIRE BAR FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

---

### *Note 1. Nature of Business*

The New Hampshire Bar Foundation ("the Foundation") is a nonprofit organization chartered under the provisions of RSA 292:2-A of the State of New Hampshire to provide funds for legal aid to the indigent and to contribute to, and support through grants, public programs and agencies which are engaged in the administration of laws and justice.

The Foundation is controlled by the New Hampshire Bar Association through a majority voting interest of the Board of Directors. A nonprofit organization has a majority interest in the board of another entity if it has the direct or indirect ability to appoint individuals that together constitute a majority of the votes of the fully constituted board (that is, including any vacant board positions). Those individuals are not limited to the nonprofit organization's own board members, employees, or officers.

### *Note 2. Summary of Significant Accounting Policies*

**Basis of accounting:** The financial statements of the Foundation have been prepared on the accrual basis. Under the accrual basis, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Sources of support:** The principal source of revenue for the Foundation is from interest received through the Interest on Lawyers' Trust Accounts (IOLTA) Program established by the Supreme Court of New Hampshire. Under this program, certain nominal or short-term funds, which are held in trust by participating attorneys, are deposited in financial institutions. The interest thereon is remitted to the Foundation to be used for: a) the support of civil legal services to the disadvantaged, b) public education relating to the courts and legal matters, and c) such other programs as may be approved by the Court.

Other major sources of revenues include contributions from lawyers and the public.

**Estimates and assumptions:** The Foundation prepares its financial statements in accordance with generally accepted accounting principles. Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

**Basis of presentation:** The Foundation accounts for contributions received in accordance with the FASB Accounting Standards Codification topic for revenue recognition FASB ASC 958-605 and contributions made in accordance with FASB ASC 958-720-25 and FASB ASC 958-310. In accordance with FASB ASC 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. In addition, FASB ASC 958-310 requires that unconditional promises to give (pledges) be recorded as receivables and recognized as revenues.

The Foundation adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205). Under FASB ASC 958-205, the Foundation 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.

*(continued on next page)*

## NEW HAMPSHIRE BAR FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

---

Descriptions of the three net asset categories are as follows:

Unrestricted net assets include revenues, expenses and contributions pledged which are not subject to any donor-imposed restrictions or time restrictions.

Temporarily restricted net assets include gifts and pledges for which time restrictions or donor-imposed restrictions have not yet been met.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Foundation considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. As of May 31, 2015 and 2014, the Foundation had no cash equivalents. For purposes of cash flow statement presentation, restricted cash has been excluded from cash.

**Property and equipment:** Property and equipment are carried at cost or, if donated, at their estimated value at date of receipt. The Foundation's capitalization policy is to capitalize expenditures for fixed assets or betterments greater than \$1,000. Maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives, generally three years for furniture, equipment and software. Assets sold or otherwise disposed of are removed from accounts, along with related depreciation allowance, and a gain or loss is recognized.

**Funds held for others:** As of May 31, 2015 and 2014, the Foundation had funds held for others amounting to \$1,906 and \$9,980, respectively. These funds were for the Leadership Academy and ABA Justice Grant for which the Foundation is administrator of the funds.

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income taxes:** The New Hampshire Bar Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes by virtue of its ongoing exemption from federal income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation has adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the Foundation's tax positions and concluded the Foundation had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for years before May 31, 2012.



***Note 3. Concentration of Credit Risk and Restricted Cash***

The Foundation maintains its cash accounts with various financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. No amounts included in cash were in excess of federally insured limits at May 31, 2015.

Restricted cash amounting to \$512,103 and \$423,416 for the years ended May 31, 2015 and 2014, respectively, is restricted for the support of civil legal services to the disadvantaged, public education relating to the courts and legal matters, and such other programs as may be approved by the Court.

In addition, at May 31, 2015, the Foundation had a cash balance amounting to approximately \$46,000 held through an Insured Cash Sweep Service (ICS) agreement between the Foundation and its bank. The ICS places Foundation funds at other FDIC insured banks in amounts that do not exceed the FDIC insured maximum. Through the ICS program the Foundation can exclude specific banks to ensure the FDIC insured limit is never exceeded at the destination banks.

***Note 4. Investments***

Investment securities are carried at fair value. Assets held for investment amounting to \$81,997 and \$82,038 at May 31, 2015 and 2014, respectively, were invested in cash and money market accounts.

Investment income is reported net of related investment expenses in the statements of activities and changes in net assets. The amount of expenses netted with revenues was \$150 for both of the years ended May 31, 2015 and 2014.

***Note 5. Funds Held By Others***

**Agency endowed funds:** The Foundation is a beneficiary of agency endowment funds at the New Hampshire Charitable Foundation (NHCF). Pursuant to the terms of the resolution establishing these funds, property contributed to the NHCF is held in separate funds designated for the benefit of the Foundation. In accordance with its spending policy, the NHCF makes distributions from the fund to the Foundation. The distributions are approximately 4% of the market value of the fund per year. The estimated value of the future distributions under the fund is included in these financial statements as required by FASB ASC 958, however, all property in the fund is to be held and administered by the NHCF for the benefit of the Foundation.

Total contributions to agency funds held at NHCF amounted to \$72,805 and \$10,244 for the NHCF years ended June 30, 2015 and 2014, respectively. In addition, during the year ended May 31, 2015, the Foundation transferred \$2,250 of unrestricted funds to agency endowed funds. The Foundation received \$635 and \$29,238 from the agency endowed funds during the fiscal years ended May 31, 2015 and 2014, respectively. The market value of agency endowed fund assets held at NHCF was \$942,426 and \$855,142 at June 30, 2015 and 2014, respectively. The NHCF determines market value on calendar quarters only, therefore market values have been presented as of June 30 for both years.

*(continued on next page)*

## NOTES TO FINANCIAL STATEMENTS

**Designated funds:** The Foundation is also a beneficiary of designated funds at the NHCF. In accordance with FASB ASC 958, contributions to a designated fund of a community organization for the benefit of another charitable organization are considered contributions to the community foundation due to variance power. Accordingly, the assets of these funds have not been reflected in these financial statements.

The Foundation received \$5,894 from the designated funds held at NHCF for the fiscal year ended May 31, 2014. The Foundation elected not to receive a distribution during the year ended May 31, 2015. The market value of designated fund assets held at the NHCF amounted to \$172,189 and \$170,657 at June 2015 and 2014, respectively.

### Note 6. Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques.

Financial assets carried at fair value on a recurring basis consist of the following:

	Level 1	Level 2	Level 3
May 31, 2015			
Cash and money market accounts	\$ 81,997	\$ -	\$ -
Beneficial interest in assets held by the NHCF	-	-	942,426
<i>Total</i>	<u>\$ 81,997</u>	<u>\$ -</u>	<u>\$ 942,426</u>
May 31, 2014			
Cash and money market accounts	\$ 82,038	\$ -	\$ -
Beneficial interest in assets held by the NHCF	-	-	855,142
<i>Total</i>	<u>\$ 82,038</u>	<u>\$ -</u>	<u>\$ 855,142</u>

(continued on next page)

NEW HAMPSHIRE BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Changes in financial assets carried at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	<b>Beneficial interest in assets held by the NHCF</b>
Balance, June 30, 2013	\$ 752,262
Contributions	13,550
Investment income, allowed distribution	29,238
Total return, net of distribution, included in changes in permanently restricted net assets	89,330
Amounts appropriated for expenditure	(29,238)
Balance, June 30, 2014	<u>\$ 855,142</u>
Contributions	79,399
Investment income, allowed distribution	635
Total return, net of distribution, included in changes in permanently restricted net assets	7,885
Amounts appropriated for expenditure	(635)
Balance, June 30, 2015	<u><u>\$ 942,426</u></u>

All assets have been valued using a market approach, except for the beneficial interest in assets held by the New Hampshire Charitable Foundation. The beneficial interest in assets held by the NHCF is valued using the income approach. The fair value for the beneficial interest in assets held by the NHCF is determined by calculating the present value of future distributions expected to be received, which approximates the value of the Foundation's beneficial interest in the assets at June 30, 2015 and 2014. There were no changes in the valuation techniques during the current year.

**Note 7. Net Assets**

Temporarily restricted net assets consisted of the following unexpended, purpose-restricted funds as follows:

Restricted purpose, May 31	2015	2014
IOLTA	\$ 314,194	\$ 433,057
Other funds:		
Funds for legal aid organizations in NH for legal assistance for foreclosure prevention and community redevelopment	243,400	-
Unexpended income from NHCF funds restricted for a variety of civil legal issues	41,531	41,028
Funds restricted to support legal services for low income people in NH	22,122	22,122

(continued on next page)

NEW HAMPSHIRE BAR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Value of the Consumer Protection Fund restricted to support consumer advocacy	81,997	82,038
Charles Dean Fund restricted to provide prisoners of NH a means of telling their story relating to the crime of which they are charged	24,121	24,113
Grimes Fund restricted to support judicial education	20,736	20,729
Other purposes	10,433	8,610
<i>Total other funds</i>	<b>444,340</b>	<b>198,640</b>
<i>Total temporarily restricted net assets</i>	<b>\$ 758,534</b>	<b>\$ 631,697</b>

Temporarily restricted net assets released from restrictions for satisfaction of program restrictions during the years ended May 31, 2015 and 2014, totaled \$1,034,749 and \$943,861, respectively. Administrative expenses paid with IOLTA funds are restricted to 10% of the prior year's IOLTA revenue. The Foundation must seek approval by the Court for any amounts in excess of this. Administrative expenses for the years ending May 31, 2015 and 2014 paid with IOLTA funds were \$71,939 and \$111,459, respectively.

Permanently restricted net assets amounting to \$942,426 and \$855,142 at May 31, 2015 and 2014, respectively, represents the value of the Foundation's beneficial interest in assets held by the NHCF. The remaining permanently restricted net assets amounting to \$10,300 and \$14,644 at May 31, 2015 and 2014, respectively, represent contributions restricted to funds held at the NHCF not transferred as of the end of the year.

**Note 8. Related Party Transactions**

The Foundation is affiliated with the New Hampshire Bar Association ("the Association") through the sharing of certain employees, common board members and office facilities. The Foundation granted the NHBA \$6,100 and \$5,000 in IOLTA grant awards for the years ended May 31, 2015 and 2014, respectively. In addition, Justice Grants amounting to \$- and \$2,000 were awarded to the NHBA during the years ended May 31, 2015 and 2014, respectively.

On July 1, 2009, the Foundation entered into a loan agreement with the Association. The purpose of the loan was for the NHBA to purchase the condominium unit at 2 Pillsbury Street that was rented during the year ended May 31, 2009.

Under the terms of the agreement, the remaining principal is due to the Foundation on or before July 1, 2034. The outstanding principal balance bears interest at the per annum rate of 4.0%. The outstanding amount on this note was \$363,128 at May 31, 2015. The Board of Directors has decided to designate the principal repayments received on this loan for long-term investment purposes. As of May 31, 2015, the total funds designated by the board amounted to \$66,261.

The Foundation and the Association also have a lease agreement for office space and either party may terminate the lease agreement with six months written notice given to the other party. Unless terminated, renegotiated or otherwise adjusted, the agreement will automatically renew from year-to-year. The lease agreement requires monthly rental payments of \$604 based upon the percentage of space occupied by the Foundation (currently at 2.27%).

*(continued on next page)*

NOTES TO FINANCIAL STATEMENTS

---

The Foundation is also required to pay an amount equal to its percentage allocation of utilities, taxes and common area maintenance fees. Rent expense related to this agreement amounted to \$7,245 for each of the years ended May 31, 2015 and 2014.

Also, the Association provided administrative and occupancy related services to the Foundation. Fees received for these services were approximately \$77,200 and \$57,140 for the years ended May 31, 2015 and 2014, respectively. In addition, the Association's contributions to its retirement plan for Foundation staff amounted to \$2,791 and \$6,717 for the years ended May 31, 2015 and 2014, respectively. These amounts are recorded as an expense of the Foundation.

In addition, at May 31, 2015 and 2014, amounts due to the Association from the Foundation representing advanced funds were \$22,002 and \$33,249, respectively.

The Foundation is also affiliated with the New Hampshire Pro Bono Referral System through common board members. The Foundation granted the New Hampshire Pro Bono Referral System \$204,000 and \$145,500 for the years ended May 31, 2015 and 2014, respectively.

***Note 9. Commitments***

For each of the years ended May 31, 2015 and 2014, approximately 65% and 85%, respectively, of the total support was derived from Interest on Lawyers' Trust Accounts (IOLTA). The future existence of the Foundation is dependent upon continued IOLTA revenue.

The Foundation expects to provide approximately \$800,000 in IOLTA and Justice Grants for the year ended May 31, 2016.

***Note 10. Contributed Services***

During each of the years ended May 31, 2015 and 2014, the Foundation received contributed professional services amounting to \$2,600 and \$3,050, respectively. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amount reflected in the accompanying financial statements as an in-kind contribution are offset by amounts included in expenses.

***Note 11. Subsequent Events***

The Foundation has evaluated subsequent events through February 12, 2016, 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 May 31, 2015.