

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-17

SUPPLEMENTARY INFORMATION

Schedules of Functional Expenses	18-19
----------------------------------	-------

Kenneth R. Malone, CPA  
James F. Dirubbo, CPA, CGMA  
Ronda J. Kilanowski, CPA, CGMA  
Penny I. Raby, CPA, CGMA  
Tracey L. Livernois, CPA  
Deanne Hogan, CPA  
Shirley E. Perry, EA  
Stephanie A. Sinclair, EA  
Christine A. Jessen, EA

www.mdccpas.com  
info@mdccpas.com

501 Union Avenue, Suite 1  
Laconia, NH 03246-2817

603-528-2241  
Fax 603-528-7624

64 Franklin Street  
Franklin, NH 03235-1610

603-934-2942  
Fax 603-934-5384

9 West Street  
Lincoln, NH 03251

603-745-3121  
Fax 603-745-3312

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Squam Lakes Natural Science Center  
Holderness, New Hampshire

We have audited the financial statements of the Squam Lakes Natural Science Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016 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 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 the Squam Lakes Natural Science Center as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are 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.

*Malone Dirubbo & Company PC*

MALONE, DIRUBBO & COMPANY, P.C.

Laconia, New Hampshire

July 18, 2018

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31

ASSETS

	2017	2016
<b>CURRENT ASSETS</b>		
Cash	\$ 56,419	\$ 294,852
Cash - temporarily restricted	553,491	12,292
Accounts receivable	2,161	1,635
Promises to give	64,500	239,586
Inventory	53,162	60,938
Prepaid insurance	17,296	18,398
Prepaid expenses	30,343	46,913
Investments	2,562,813	2,112,015
Investments - temporarily restricted	1,108,578	934,480
	4,448,763	3,721,109
<b>PROPERTY AND EQUIPMENT</b>		
Land	636,351	636,351
Buildings and improvements	6,016,459	5,873,581
Exhibits	2,143,093	2,146,496
Vehicles	180,398	173,678
Equipment	655,848	642,305
Total Property and Equipment	9,632,149	9,472,411
Less, accumulated depreciation	(5,058,955)	(4,692,080)
Net Property and Equipment	4,573,194	4,780,331
<b>NONCURRENT ASSETS</b>		
Promises to give (net)	4,808	67,115
Other assets	11,908	11,582
Loan origination fees, net	1,196	1,546
Investments - permanently restricted	816,926	791,926
	834,838	872,169
<b>TOTAL ASSETS</b>	\$ 9,856,795	\$ 9,373,609

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ -	\$ 287,592
Note payable, current portion	10,011	9,620
Accounts payable	13,933	19,833
Accrued expenses	43,360	39,011
Deferred revenue	41,393	35,565
	<u>108,697</u>	<u>391,621</u>
<b>LONG TERM LIABILITIES</b>		
Note payable, less current portion	26,838	36,849
	<u>26,838</u>	<u>36,849</u>
	<u>135,535</u>	<u>428,470</u>
<b>NET ASSETS</b>		
Unrestricted	7,242,265	7,206,441
Temporarily restricted	1,662,069	946,772
Permanently restricted	816,926	791,926
	<u>9,721,260</u>	<u>8,945,139</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,856,795</u>	<u>\$ 9,373,609</u>

See accompanying notes and independent auditors' report.

SOUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	UNRESTRICTED				2017 TOTAL
	OPERATING	BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
REVENUE AND SUPPORT					
Contributions and grants	\$ 354,169	\$ 80,722	\$ 575,737	\$ 25,000	\$ 1,035,628
Special events	124,935	-	-	-	124,935
In-kind income	45,034	-	-	-	45,034
Program service fees and memberships	1,234,331	-	-	-	1,234,331
Investment income (loss)	-	394,977	254,927	-	649,904
Store and café gross income	217,601	-	-	-	217,601
Store and café cost of sales	(101,245)	-	-	-	(101,245)
Miscellaneous	15,251	-	-	-	15,251
Total Revenue and Support	1,890,076	475,699	830,664	25,000	3,221,439
Net Assets Released From Restrictions	22,168	-	(22,168)	-	-
FUNCTIONAL EXPENSES (Schedule 1)					
Educational services	1,172,282	398,652	-	-	1,570,934
Management and general	617,545	-	-	-	617,545
Fundraising	252,413	-	-	-	252,413
Total Functional Expenses	2,042,240	398,652	-	-	2,440,892
INCREASE (DECREASE) IN NET ASSETS	(129,996)	77,047	808,496	25,000	780,547
LOSS ON DISPOSITION OF ASSETS	(4,426)	-	-	-	(4,426)
Total	(134,422)	77,047	808,496	25,000	776,121
TRANSFERS OF NET ASSETS					
Transfers - To Operating fund	134,422	(134,422)	-	-	-
Transfers - To Board Designated fund	-	93,199	(93,199)	-	-
Total Transfers	134,422	(41,223)	(93,199)	-	-
CHANGE IN NET ASSETS	-	35,824	715,297	25,000	776,121
NET ASSETS - BEGINNING	250,000	6,956,441	946,772	791,926	8,945,139
NET ASSETS - ENDING	\$ 250,000	\$ 6,992,265	\$ 1,662,069	\$ 816,926	\$ 9,721,260

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED				2016 TOTAL
	OPERATING	BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
<b>REVENUE AND SUPPORT</b>					
Contributions and grants	\$ 287,001	\$ 32,937	\$ 48,572	\$ -	\$ 368,510
Special events	150,202	-	-	-	150,202
In-kind income	44,981	-	-	-	44,981
Program service fees and memberships	1,249,755	-	-	-	1,249,755
Investment income (loss)	(897)	172,593	128,505	-	300,201
Store and café gross income	208,777	-	-	-	208,777
Store and café cost of sales	(100,838)	-	-	-	(100,838)
Miscellaneous	12,046	-	-	-	12,046
Total Revenue and Support	1,851,027	205,530	177,077	-	2,233,634
Net Assets Released From Restrictions	62,326	-	(62,326)	-	-
<b>FUNCTIONAL EXPENSES (Schedule 1)</b>					
Educational services	1,091,019	357,481	-	-	1,448,500
Management and general	655,036	-	-	-	655,036
Fundraising	253,996	-	-	-	253,996
Total Functional Expenses	2,000,051	357,481	-	-	2,357,532
INCREASE (DECREASE) IN NET ASSETS	(86,698)	(151,951)	114,751	-	(123,898)
LOSS ON DISPOSITION OF ASSETS	(6,616)	(5,842)	-	-	(12,458)
Total	(93,314)	(157,793)	114,751	-	(136,356)
<b>TRANSFERS OF NET ASSETS</b>					
Transfers - To Operating fund	93,314	(93,314)	-	-	-
Transfers - To Board Designated fund	-	916,986	(916,986)	-	-
Total Transfers	93,314	823,672	(916,986)	-	-
CHANGE IN NET ASSETS	-	665,879	(802,235)	-	(136,356)
NET ASSETS - BEGINNING	250,000	6,290,562	1,749,007	791,926	9,081,495
NET ASSETS - ENDING	\$ 250,000	\$ 6,956,441	\$ 946,772	\$ 791,926	\$ 8,945,139

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 776,121	\$ (136,356)
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation and amortization	371,099	361,051
Loss from disposition of assets	4,426	12,458
Inkind donated assets	(5,122)	-
Net unrealized (gains) losses on investments	(545,938)	(49,861)
Net realized (gains) losses on investments	-	(159,584)
(Increase) decrease in:		
Accounts receivable	(526)	740
Inventory	7,776	(25,891)
Prepaid expenses	17,672	9,907
Promises to give	237,393	439,159
Other assets	(326)	-
Increase (decrease) in:		
Accounts payable	(5,900)	17,641
Accrued expenses	4,349	5,871
Deferred revenue	5,828	8,615
	<u>866,852</u>	<u>483,750</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	-	875,584
Purchase of investments	(103,958)	(887,247)
Purchases of property and equipment	(162,916)	(705,735)
	<u>(266,874)</u>	<u>(717,398)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	287,592
Repayment on line of credit	(287,592)	-
Loan closing costs	-	(1,750)
Repayment of note payable	(9,620)	(4,674)
	<u>(297,212)</u>	<u>281,168</u>
Net increase in cash and cash equivalents	302,766	47,520
Cash and Cash Equivalents, Beginning of Year	307,144	259,624
Cash and Cash Equivalents, End of Year	<u>\$ 609,910</u>	<u>\$ 307,144</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest	\$ 9,657	\$ 6,148

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 1: Summary of Significant Accounting Policies

a. Organization

The Squam Lakes Natural Science Center was organized in New Hampshire as a non-profit corporation for the purpose of educating the public about wildlife and earth science. Services provided include educational exhibits, live animal exhibits, museums and educational instruction by naturalists and educational lake cruises.

b. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

c. Net Assets

According to generally accepted accounting principles, the Organization 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.

Unrestricted

The Organization reports gifts of cash, land, buildings and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used. The Organization's unrestricted net assets include board designated, real estate and equipment and facilities maintenance reserves. Donor restricted contributions whose restrictions are met within the same year are reported as unrestricted.

Temporarily Restricted

The Organization reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a 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 statement of activities as net assets released from restrictions.

Permanently Restricted

The Organization's permanently restricted net assets consist of donor restricted bequests and gifts providing for permanent endowments, which are intended to provide a permanent source of income. The endowment principal is held for investment in various stock and bond funds. Ordinary income from the investment of these funds is available for the Organization's unrestricted use. Capital appreciation is transferred to temporarily restricted net assets, in accordance with state law.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 1: Summary of Significant Accounting Policies (Continued)

d. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude cash and cash equivalents which are included in investments (See Note 4).

e. Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased and restricted for a particular purpose to be restricted cash.

f. Accounts Receivable

Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

g. Inventories

Gift shop inventories are stated at the lower of cost or market, determined by a physical count using the first-in, first-out method.

h. Investments

In accordance with generally accepted accounting principles, all investments are reported at their fair value.

i. Promises to Give

Unconditional and conditional promises to give are recognized as revenues in the period received. These amounts are recorded at their fair value. The Organization considers promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is required.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 1: Summary of Significant Accounting Policies (Continued)

j. Public Revenue and Support

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded when the promise is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received.

Grants and contributions of cash or other assets are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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.

k. Expenses

The Organization's expenditures can be classified into three areas: education, management, and fundraising. The Organization has allocated functional expenses based on an analysis of personnel time and space utilized for related activities.

l. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

m. Tax Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 1: Summary of Significant Accounting Policies (Continued)

n. Federally Insured Limits

The Organization maintains its cash at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Protection Investment Corporation up to \$250,000. As of December 31, 2017, the Organization had uninsured funds in the amount of \$364,000.

o. Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2017 and 2016 were \$69,764 and \$76,710, respectively.

NOTE 2: Property and Equipment

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long such assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are carried on the books at cost and are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Renovations and improvements	5-30
Exhibits	5-20
Vehicles	5-7
Equipment	3-20

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment purchases of \$2,500 or more are capitalized. Depreciation expense for the years ended December 31, 2017 and 2016 was \$370,749 and \$360,847, respectively.

Construction in progress, included in fixed assets, as of December 31, 2017 and 2016 was \$22,329 and \$61,384, respectively.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 3: Concentrations

The Organization's sources of revenue and support are as follows:

	<u>2017</u>	<u>2016</u>
Public Support	\$1,035,628	\$ 368,510
Program Service Fees and Memberships	1,234,331	1,249,755
Investment Income (loss)	649,904	300,201
In-Kind	45,034	44,981
Special Events	124,935	150,202
Other	<u>131,607</u>	<u>119,985</u>
Total	<u>\$3,221,439</u>	<u>\$2,233,634</u>

The services provided by the Organization are funded primarily by public support, program service fees and memberships.

NOTE 4: Investments and Investment Income

Investments are reported in these financial statements at fair market value, with related appreciation or depreciation in value included in the Organization's statement of activities.

The fair value of securities is determined as the quoted market price per unit if available, otherwise, it is estimated at the amount at which the asset could be bought or sold between willing parties other than in a forced liquidation sale.

Donated investments are reported at fair market value as of the date of receipt. The Organization uses a pooled investment approach utilizing investment accounts for unrestricted and restricted net assets. Investment income, gains, losses and management fees of each investment account are allocated to net assets based on proportionate share in the account.

The composition of investments is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 4,849	\$ 4,849	\$ 4,810	\$ 4,810
Mutual Funds	<u>3,815,055</u>	<u>4,483,468</u>	<u>3,745,620</u>	<u>3,833,611</u>
Total	<u>\$3,819,904</u>	<u>\$4,488,317</u>	<u>\$3,750,430</u>	<u>\$3,838,421</u>

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 4: Investments and Investment Income (Continued)

Investment income (loss) from these investments for the years ended December 31, is summarized as follows:

	2017	2016
Interest and dividends	\$ 96,435	\$ 87,432
Capital gain distributions	7,890	4,246
Net realized gains	-	159,584
Net unrealized gains	545,938	49,861
Investment fees	(359)	(922)
Total	\$ 649,904	\$ 300,201

NOTE 5: Endowment

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the statement of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization's investment objective is to preserve the capital of the endowment fund, to earn a competitive return from income and capital gains, and to do so without exposing the fund to undue or imprudent risk. To achieve these goals the Board reviews, oversees and, directly, or through an investment advisor approved by the Board, manages the assets of the endowment fund.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 5: Endowment (continued)

During the years ended December 31, 2017 and 2016 the Organization's endowment fund assets were balanced at approximately 75% equity securities and 25% fixed income securities. The Organization utilizes a spending policy for distribution each year to be no greater than the sum of:

- a) 70% of the investment assets spending in the immediately prior year plus
- b) 30% of the long term spending rate of 4% times the four-quarter market average of the long term investment assets for the period ending September 30

The Organization had the following endowment related activities for the year ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 469,955	\$ 791,926
Investment income	27,677	-
Net appreciation	<u>157,978</u>	<u>-</u>
Total investment return	185,655	-
Contributions to endowment	-	25,000
Amounts appropriated for expenditure	<u>(56,985)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 598,625</u>	<u>\$ 816,926</u>

The Organization had the following endowment related activities for the year ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 436,406	\$ 791,926
Investment income	29,639	-
Net appreciation (depreciation)	<u>76,945</u>	<u>-</u>
Total investment return	106,584	-
Contributions to endowment	-	-
Amounts appropriated for expenditure	<u>(73,035)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 469,955</u>	<u>\$ 791,926</u>

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 6: Fair Value

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

*Cash, Mutual funds and fixed income:* Fair value is based upon quoted prices in active markets for identical assets and are reflected as Level 1.

The methods described above may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 6: Fair Value (continued)

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 4,849	\$ -	\$ -	\$ 4,849
Mutual funds	4,483,468	-	-	4,483,468
Promises to give	-	-	69,308	69,308
Total	<u>\$ 4,488,317</u>	<u>\$ -</u>	<u>\$ 69,308</u>	<u>\$ 4,557,625</u>

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 4,810	\$ -	\$ -	\$ 4,810
Mutual funds	3,833,611	-	-	3,833,611
Promises to give	-	-	306,701	306,701
Total	<u>\$ 3,838,421</u>	<u>\$ -</u>	<u>\$ 306,701</u>	<u>\$ 4,145,122</u>

NOTE 7: Promises to Give

Promises to give as of December 31, are as follows:

	<u>2017</u>	<u>2016</u>
Promises to give in less than one year	\$ 64,500	\$ 239,586
Promises to give in one to five years	5,000	69,800
Less discount to net present value	<u>(192)</u>	<u>( 2,685)</u>
Net promises to give at December 31,	<u>\$ 69,308</u>	<u>\$ 306,701</u>

Promises to give are reported at fair value, which is estimated as the net present value of expected future cash inflows, on a non-recurring basis. A discount rate of 4% in 2017 and 2016 was applied to determine net present value. As discussed in Note 6, the valuation technique used by the Organization is a Level 3 measure because there are no observable market transactions.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 7: Promises to Give (continued)

The Organization launched a capital campaign, known as Nature Matters. The purpose of the campaign is to reinforce the impact of the Organization's mission while building long term sustainability. This campaign supported the addition of four buildings, enlivened existing exhibits, added a targeted marketing initiative, and strengthened the Organization's financial foundation.

As of December 31, 2017 the total pledged or contributed to the capital campaign was \$4,077,879. Promises to give related to the capital campaign were \$59,400 and \$291,910 at December 31, 2017 and 2016, respectively.

NOTE 8: Note Payable

Note payable consisted of the following at December 31:

	2017	2016
Note payable, Meredith Village Savings Bank, due in monthly principal and interest payments of \$942, with interest at 3.99%, due June 2021, secured by vehicles	36,849	46,469
Less current portion	36,849 10,011	46,469 9,620
Total	\$ 26,838	\$ 36,849

Maturities of the note payable are scheduled as follows:

Year ending, December 31,

2018	\$ 10,011
2019	10,418
2020	10,841
2021	5,579
Total	\$ 36,849

NOTE 9: Line of Credit

On June 28, 2016 the Organization signed a revolving line of credit agreement with Meredith Village Savings Bank in the amount of \$500,000. Interest is due monthly at a variable rate of the Wall Street Journal Prime Rate (4.5% at December 31, 2017). The line of credit matures on June 28, 2021. The line is secured by marketable securities with a value of \$1,012,103 and \$835,280 at December 31, 2017 and 2016, respectively. The principal balance of the line of credit at December 31, 2017 and 2016 was \$0 and \$287,592, respectively.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 10: Restricted Net Assets

Restricted net assets include the following at December 31:

	<u>2017</u>	<u>2016</u>
Permanently Restricted:		
General Endowment	\$ 545,930	\$ 545,930
Gordon's Children Center	100,000	100,000
Otter Endowment	50,000	50,000
Naturalist Salaries	80,000	80,000
Barry Endowment	<u>40,996</u>	<u>15,996</u>
Total	<u>\$ 816,926</u>	<u>\$ 791,926</u>
Temporarily Restricted:		
	<u>2017</u>	<u>2016</u>
Main Scholarship Fund	\$ 17,683	\$ 16,625
Bird Museum	96,383	84,355
Kirkwood Gardens	73,789	71,163
Orton Bear	88,790	78,570
Gordon's Children Center	22,184	18,354
Osprey Project	3,025	4,542
Coyote Exhibit	31,572	27,527
Innovative Project Fund	126,100	118,785
Blue Heron	488,609	-
Endowment Investment Fund Appreciation	598,625	469,955
Temporary Grants	55,197	2,465
All Other	<u>60,112</u>	<u>54,431</u>
Total	<u>\$1,662,069</u>	<u>\$ 946,772</u>

NOTE 11: Donations In-Kind

The Organization records various types of in-kind support including contributed facilities, professional services, advertising and materials. Recognition of contributed facilities is described in Note 2. Contributed professional services are recognized 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. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support is offset by like amounts included in expenses. Contributions of donated services totaled \$45,034 and \$44,981 during 2017 and 2016, respectively. Additionally, the Organization receives a significant amount of contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 12: Unrestricted Net Assets

The Board of Trustees has placed self-imposed limits on the use of unrestricted net assets by designating the assets for the purpose listed below. The Board of Trustees may change such designations at their discretion.

	<u>2017</u>	<u>2016</u>
Board Designated Reserve	\$ 696,177	\$ 667,552
Facilities Maintenance Reserve	1,221,981	1,102,919
Staff Compensation	1,055,184	920,000
Real Estate & Equipment	<u>4,018,923</u>	<u>4,265,970</u>
Total Board Designated Funds	6,992,265	6,956,441
Operating Fund	<u>250,000</u>	<u>250,000</u>
Total	<u>\$7,424,265</u>	<u>\$7,206,441</u>

NOTE 13: Defined Contribution Plan

The Organization sponsors a defined contribution pension plan covering employees who work at least 1,000 hours over two consecutive years. Employees may make elective deferrals to the plan. The Organization matches 100% of the first 5% of such deferrals. Plan costs totaled \$41,602 in 2017 and \$38,080 in 2016.

NOTE 14: Cash Flow Information

The Organization had noncash financing transactions relating to the purchase of new vehicles totaling \$51,143 during the year ended December 31, 2016.

NOTE 15: Loan closing costs

During the year ended December 31, 2016 the Organization incurred loan closing costs of \$1,750. Amortization expense for the year ended December 31, 2017 and 2016 was \$350 and \$204, respectfully.

NOTE 16: Subsequent Events

Management has evaluated subsequent events through July 18, 2018 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SQUAM LAKES NATURAL SCIENCE CENTER  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Educational Services</u>	<u>Management &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 952,469	\$ 327,686	\$ 163,706	\$ 1,443,861
Depreciation and amortization	370,749	350	-	371,099
Maintenance and utilities	885	129,409	-	130,294
Other expenses	38,977	54,065	6,953	99,995
Special events	-	-	62,025	62,025
Animal care	67,487	-	-	67,487
Professional fees	-	41,517	-	41,517
Boat expense	39,628	-	-	39,628
Insurance	11,227	26,761	1,895	39,883
Advertising	69,764	-	-	69,764
Supplies	1,240	20,043	-	21,283
Printing & reproduction	6,530	5,119	13,796	25,445
Postage	-	2,443	4,038	6,481
Interest	-	9,657	-	9,657
Programs	11,978	495	-	12,473
<b>Total Functional Expenses</b>	<b>\$ 1,570,934</b>	<b>\$ 617,545</b>	<b>\$ 252,413</b>	<b>\$ 2,440,892</b>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Educational Services</u>	<u>Management &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 839,027	\$ 357,007	\$ 131,490	\$ 1,327,524
Depreciation and amortization	360,847	204	-	361,051
Maintenance and utilities	-	136,248	175	136,423
Other expenses	42,266	52,492	15,231	109,989
Special events	-	-	89,446	89,446
Animal care	50,493	-	-	50,493
Professional fees	-	45,973	-	45,973
Boat expense	47,542	-	-	47,542
Insurance	13,163	27,858	1,932	42,953
Advertising	76,355	355	-	76,710
Supplies	3,011	19,322	-	22,333
Printing & reproduction	5,687	6,924	11,936	24,547
Postage	-	2,505	3,786	6,291
Interest	-	6,148	-	6,148
Programs	10,109	-	-	10,109
<b>Total Functional Expenses</b>	<b>\$ 1,448,500</b>	<b>\$ 655,036</b>	<b>\$ 253,996</b>	<b>\$ 2,357,532</b>

See accompanying notes and independent auditors' report.