

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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**INDEPENDENT AUDITORS' REPORT**

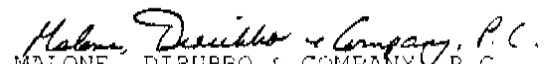
To the Board of Trustees of  
 Squam Lakes Natural Science Center  
 Holderness, New Hampshire

We have audited the accompanying statements of financial position of the Squam Lakes Natural Science Center (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Science Center'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Squam Lakes Natural Science Center as of December 31, 2010 and 2009, 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.

Our audits were 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, P.C.  
 July 14, 2011

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31

ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 136,834	\$ 70,397
Cash - temporarily restricted	127,065	171,653
Accounts receivable	2,670	2,721
Pledges receivable	5,325	5,571
Pledges receivable (net) - temporarily restricted	10,000	52,114
Inventory	70,115	88,187
Prepaid insurance	12,343	12,518
Prepaid expenses	21,844	23,051
Investments	1,216,477	1,189,367
Investments - temporarily restricted	766,551	541,333
	<u>2,369,224</u>	<u>2,156,912</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	226,949	226,949
Buildings and improvements	4,203,439	4,177,575
Exhibits	1,375,550	1,347,697
Vehicles	111,259	98,189
Equipment	464,212	452,412
Total Property and Equipment	<u>6,381,409</u>	<u>6,302,822</u>
Less, accumulated depreciation	<u>(3,158,529)</u>	<u>(2,909,942)</u>
Net Property and Equipment	<u>3,222,880</u>	<u>3,392,880</u>
<b>NONCURRENT ASSETS</b>		
Goodwill	15,000	15,000
Investments - permanently restricted	570,397	570,147
Total Noncurrent Assets	<u>585,397</u>	<u>585,147</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,177,501</u>	<u>\$ 6,134,939</u>

See accompanying notes and independent auditors' report.

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Accounts payable	\$ 731	\$ 1,528
Accrued expenses	17,383	12,976
Deferred revenue	14,515	6,645
Current portion of note payable	<u>6,755</u>	<u>6,250</u>
Total Current Liabilities	39,384	27,399
NOTE PAYABLE, net of current portion	<u>22,277</u>	<u>29,033</u>
TOTAL LIABILITIES	<u>61,661</u>	<u>56,432</u>
NET ASSETS		
Unrestricted	4,641,827	4,743,260
Temporarily restricted	903,616	765,100
Permanently restricted	<u>570,397</u>	<u>570,147</u>
Total Net Assets	<u>6,115,840</u>	<u>6,078,507</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,177,501</u>	<u>\$ 6,134,939</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	UNRESTRICTED				PERMANENTLY RESTRICTED	2010 TOTAL
	OPERATING	BOARD DESIGNATED	TEMPORARILY RESTRICTED			
REVENUE AND SUPPORT	\$	\$	\$	\$	\$	\$
Contributions and grants	275,393	-	144,228	250	419,871	
Special events	41,090	-	-	-	41,090	
In-kind income	35,915	-	-	-	35,915	
Program service fees and memberships	817,872	-	-	-	817,872	
Investment income (loss)	(1,279)	132,997	137,894	-	269,612	
Store and café gross income	203,393	-	-	-	203,393	
Store and café cost of sales	(108,408)	-	-	-	(108,408)	
Miscellaneous	9,657	-	-	-	9,657	
Total Revenue and Support	1,273,633	132,997	282,122	250	1,689,002	
Net Assets Released From Restrictions	38,377	-	(38,377)	-	-	
FUNCTIONAL EXPENSES (Schedule 1)						
Educational services	750,614	252,178	-	-	1,002,792	
Management and general	538,294	-	-	-	538,294	
Fundraising	106,044	-	4,539	-	110,583	
Total Functional Expenses	1,394,952	252,178	4,539	-	1,651,669	
INCREASE (DECREASE) IN NET ASSETS	(82,942)	(119,181)	239,206	250	37,333	
TRANSFERS OF NET ASSETS						
Transfers - To Operating fund	132,942	(32,252)	(100,690)	-	-	
Total transfers	132,942	(32,252)	(100,690)	-	-	
CHANGE IN NET ASSETS	50,000	(151,433)	138,516	250	37,333	
NET ASSETS - BEGINNING	200,000	4,543,260	765,100	570,147	6,078,507	
NET ASSETS - ENDING	\$ 250,000	\$ 4,391,827	\$ 903,616	\$ 570,397	\$ 6,115,840	

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	UNRESTRICTED				2009 TOTAL
	OPERATING	BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
REVENUE AND SUPPORT					
Contributions and grants	\$ 272,119	\$ -	\$ 49,866	\$ -	\$ 321,985
Special events	51,578	-	-	-	51,578
In-kind income	24,411	-	-	-	24,411
Program service fees and memberships	772,272	-	-	-	772,272
Investment income (loss)	(1,338)	294,171	230,651	-	523,484
Store and café gross income	206,237	-	-	-	206,237
Store and café cost of sales	(113,557)	-	-	-	(113,557)
Miscellaneous	11,456	-	-	-	11,456
Total Revenue and Support	1,223,178	294,171	280,517	-	1,797,866
Net Assets Released From Restrictions	36,265	46,611	(82,876)	-	-
FUNCTIONAL EXPENSES (Schedule 1)					
Educational services	699,413	272,443	-	-	971,856
Management and general	541,637	-	-	-	541,637
Fundraising	104,353	-	-	-	104,353
Total Functional Expenses	1,345,403	272,443	-	-	1,617,846
INCREASE (DECREASE) IN NET ASSETS	(85,960)	68,339	197,641	-	180,020
GAIN ON SALE OF ASSETS	800	-	-	-	800
Total	(85,160)	68,339	197,641	-	180,820
TRANSFERS OF NET ASSETS					
Transfers - From Operating fund	85,160	(84,937)	(223)	-	-
Total Transfers	85,160	(84,937)	(223)	-	-
CHANGE IN NET ASSETS	-	(16,598)	197,418	-	180,820
NET ASSETS - BEGINNING	200,000	4,559,858	567,682	570,147	5,897,687
NET ASSETS - ENDING, as restated	\$ 200,000	\$ 4,543,260	\$ 765,100	\$ 570,147	\$ 6,078,507

See accompanying notes and independent auditors' report.

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

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 37,333	\$ 180,020
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation	246,587	243,342
Inkind donated fixed assets	(10,320)	-
Net unrealized (gains) losses on investments	(159,276)	(917,337)
Net realized (gains) losses on investments	(43,278)	447,023
(Increase) decrease in:		
Accounts receivable	51	(5)
Inventory	18,072	2,303
Prepaid expenses	1,382	(4,798)
Pledges and grants receivable	42,360	(8,717)
Increase (decrease) in:		
Accounts payable	(797)	(11,923)
Accrued expenses	4,407	(4,943)
Deferred revenue	7,870	(2,385)
	<u>146,391</u>	<u>(77,420)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	1,568,216	1,282,428
Purchase of investments	(1,618,241)	(1,079,698)
Proceeds from the sale of assets	-	800
Purchases of property and equipment	(68,267)	(48,859)
	<u>(118,292)</u>	<u>154,671</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of note payable	(6,250)	(5,772)
	<u>(6,250)</u>	<u>(5,772)</u>
Net increase in cash and cash equivalents	21,849	71,479
Cash and Cash Equivalents, Beginning of Year	<u>242,050</u>	<u>170,571</u>
Cash and Cash Equivalents, End of Year	<u>\$ 263,899</u>	<u>\$ 242,050</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest	\$ 2,544	\$ 3,022

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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.

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 horizon reserves, which are legally unrestricted. 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 mutual 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, 2010 AND 2009

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. Pledges Receivable

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

j. Goodwill

Goodwill acquired by purchase is being accounted for in accordance with generally accepted accounting principles. The principles require the Organization to evaluate the goodwill on an annual basis for impairment. During the years ended December 31, 2010 and 2009, there were no changes in the carrying amount of goodwill.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 1: Summary of Significant Accounting Policies (Continued)

k. Public Support and Revenue

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. The majority of the promises to give are received from a broad base of contributors as a result of the annual campaign.

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.

l. 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.

m. 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.

n. 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, 2010 AND 2009

NOTE 1: Summary of Significant Accounting Policies (Continued)

o. 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.

On November 9, 2010, the FDIC issued a final ruling that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage noted above. Money Market Deposit Accounts (MMDAs) are not eligible for this unlimited insurance coverage.

As of December 31, 2010 the Organization had approximately \$26,000 in uninsured funds.

p. Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2010 and 2009 were \$25,441 and \$28,280, respectively.

q. Reclassification

For the year ended December 31, 2010, certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

r. Income Taxes

On January 1, 2010, the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2010.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2007.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 2: Property and Equipment

Donations of property and equipment are recorded as support 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, 2010 and 2009 was \$248,587 and \$243,342, respectively.

NOTE 3: Concentrations

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

	<u>2010</u>	<u>2009</u>
Public Support	\$ 419,871	\$ 321,985
Program Service Fees and Memberships	817,872	772,272
Investment Income	269,612	523,484
In-Kind	35,915	24,411
Special Events	41,090	51,578
Other	<u>104,642</u>	<u>104,136</u>
Total	<u>\$ 1,689,002</u>	<u>\$ 1,797,866</u>

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

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 4: Investments and Investment Income

Investments are reported in these financial statements at 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, 2010</u>		<u>December 31, 2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 439	\$ 439	\$ 33,786	\$ 33,786
Mutual Funds	2,306,412	2,543,980	2,729,834	2,249,103
Fixed Income	<u>8,644</u>	<u>9,006</u>	<u>17,772</u>	<u>17,958</u>
Total	<u>\$2,315,495</u>	<u>\$2,553,425</u>	<u>\$2,781,392</u>	<u>\$2,300,847</u>

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

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 45,687	\$ 53,547
Capital gain distributions	22,713	1,037
Net realized gains (losses)	43,278	( 447,023)
Net unrealized gains (losses)	159,276	917,337
Investment fees	<u>( 1,342)</u>	<u>( 1,414)</u>
Total	<u>\$ 269,612</u>	<u>\$ 523,484</u>

NOTE 5: Endowment

The Board of Trustees of the Organization have 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.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 5: Endowment (continued)

In accordance with SPMIFA, the Organization should consider 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.

During the years ended December 31, 2010 and 2009 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 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 4.5% times the four-quarter market average of the long term investment assets for the period ending September 30 prior to the start of the new year.

The spending policy was implemented for the year ended December 31, 2010.

The Organization had the following endowment related activities for the year ended December 31, 2010:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 348,549	\$ 570,147
Investment income	17,966	-
Net appreciation (depreciation)	<u>86,414</u>	<u>-</u>
Total investment return	104,380	-
Contributions to endowment	-	250
Amounts appropriated for expenditure	<u>(35,692)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 417,237</u>	<u>\$ 570,397</u>

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 5: Endowment (continued)

The Organization had the following endowment related activities for the year ended December 31, 2009:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 176,011	\$ 570,147
Investment income	19,107	-
Net appreciation (depreciation)	<u>172,538</u>	<u>-</u>
Total investment return	191,645	-
Contributions to endowment	-	-
Amounts appropriated for expenditure	<u>(19,107)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 348,549</u>	<u>\$ 570,147</u>

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 under 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.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 6: Fair Value (continued)

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, 2010.

*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.

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 439	\$ -	\$ -	\$ 439
Mutual funds	2,543,980	-	-	2,543,980
Fixed income	<u>9,006</u>	<u>-</u>	<u>-</u>	<u>9,006</u>
 Total	 <u>\$ 2,553,425</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 2,553,425</u>

NOTE 7: Pledges Receivable

Pledges receivable as of December 31, are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 15,325	\$ 44,571
Receivable in one to five years	-	14,000
Less discount to net present value	<u>-</u>	<u>(886)</u>
 Net pledges receivable at December 31,	 <u>\$ 15,325</u>	 <u>\$ 57,685</u>

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

NOTE 8: Restricted Net Assets

Restricted net assets include the following at December 31:

	<u>2010</u>	<u>2009</u>
Permanently Restricted:		
General Endowment	\$ 512,401	\$ 512,401
Gordon's Children Center	50,000	50,000
Barry Endowment	<u>7,996</u>	<u>7,746</u>
Total	<u>\$ 570,397</u>	<u>\$ 570,147</u>
Temporarily Restricted:		
Pooled Income Fund	\$ 18,915	\$ 32,053
Main Scholarship Fund	6,715	6,696
Lake Ecology Program	3,288	4,704
Bird Museum	58,243	52,300
Gephart Memorial	-	24,614
Kirkwood Gardens	73,128	68,458
Mead Memorial Fund	-	2,813
Orton Bear	52,415	47,068
Gordon's Children Center	1,571	-
Orphan Moose	35,609	31,893
Kestrel Project	-	4,998
Distance Learning Project	85,000	-
Innovative Project Fund	109,433	105,337
Endowment investment fund appreciation	417,238	348,549
All Other	<u>42,061</u>	<u>35,617</u>
Total	<u>\$ 903,616</u>	<u>\$ 765,100</u>

NOTE 9: 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 are offset by like amounts included in expenses. Contributions of donated services for program activities totaled \$35,915 and \$24,411 during 2010 and 2009, respectively. Additionally, the Organization receives a significant amount of skilled, 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  
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DECEMBER 31, 2010 AND 2009

NOTE 10: Gifts of Future Interests

During 1995, the Organization established the Squam Lakes Natural Science Center Pooled Income Fund which is a trust created to receive gifts to the Organization of remainder interests. Donors to the fund will retain an income interest in the property transferred for their life and/or the life of a named beneficiary. Appreciation of invested assets is recognized currently by the Organization, although it will not be available until the termination of the life interest.

During the year ended December 31, 2010 \$15,417 of principal was available for use by the Organization. The Organization records such gifts as current income to a separate fund at the fair market value of the principal received. As of December 31, 2010 and 2009, \$24,037 has been gifted to the fund. The appreciated value of the fund as of December 31, 2010 and 2009 was \$18,915 and \$32,053, respectively.

NOTE 11: Note Payable

On November 3, 2008 the Organization entered into a note payable with a finance company. The note bears interest at 8% and requires monthly interest and principal payments of \$733 through November 3, 2014. The note is secured by equipment. The balance of the note at December 31, 2010 and 2009 is \$29,032 and \$35,283, respectively.

Maturity of note payable is as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2011	\$ 6,755
2012	7,305
2013	7,900
2014	<u>7,072</u>
Total note payable	<u>\$29,032</u>

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>2010</u>	<u>2009</u>
Board Designated Reserve	\$ 224,264	\$ 288,566
Horizon Reserve	958,714	882,003
Real Estate & Equipment	3,208,849	3,372,691
Operating Fund	<u>250,000</u>	<u>200,000</u>
Total	<u>\$4,641,827</u>	<u>\$4,743,260</u>

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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 \$23,073 in 2010 and \$21,403 in 2009.

NOTE 14: Related Party Transaction

During 2009, the Organization acquired certain legal services from the spouse of a board member, which has been disclosed to and authorized by the Organization's Board of Trustees. The Organization was billed and paid \$1,155 to Nungesser and Hill Attorneys at Law during 2009. There was no outstanding amounts payable at December 31, 2009.

NOTE 15: Grants

In September 2010 the Organization was awarded a grant in the amount of \$85,000 in collaboration with three other Organizations creating the *Sea to Lake, Summit to Sky* project. The Organization was awarded the money as the fiscal agent and will reimburse the other three Organizations' on an as needed basis. This grant begins in January 2011 and continues for 18 months. All amounts have been included in temporarily restricted net assets for the year ended December 31, 2010. See Note 8.

NOTE 16: Subsequent Events

Management has evaluated subsequent events through July 14, 2011, 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, 2010

	<u>Educational Services</u>	<u>Management &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 616,366	335,703	55,541	\$ 1,007,610
Depreciation	248,587	-	-	248,587
Maintenance and utilities	-	91,362	-	91,362
Other expenses	31,117	39,659	11,914	82,690
Boat expense	35,640	-	-	35,640
Professional fees	-	31,127	-	31,127
Insurance	7,923	19,975	755	28,653
Animal care	25,789	-	-	25,789
Advertising	25,441	-	-	25,441
Printing & reproduction	5,190	3,370	15,187	23,747
Special events	-	-	23,648	23,648
Supplies	1,669	14,240	-	15,909
Postage	153	2,858	3,538	6,549
Programs	4,917	-	-	4,917
<b>Total Functional Expenses</b>	<b>\$ 1,002,792</b>	<b>\$ 538,294</b>	<b>\$ 110,583</b>	<b>\$ 1,651,669</b>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Educational Services</u>	<u>Management &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 578,522	332,148	54,687	\$ 965,357
Depreciation	243,342	-	-	243,342
Maintenance and utilities	2,178	97,851	-	100,029
Other expenses	31,175	36,832	6,505	74,512
Advertising	28,280	-	-	28,280
Special events	-	-	25,109	25,109
Insurance	7,605	22,207	700	30,512
Professional fees	-	36,140	-	36,140
Boat expense	37,526	-	-	37,526
Printing & reproduction	11,244	3,064	14,749	29,057
Animal care	23,089	-	-	23,089
Supplies	2,717	9,966	-	12,683
Programs	6,125	-	-	6,125
Postage	53	3,429	2,603	6,085
	<u>53</u>	<u>3,429</u>	<u>2,603</u>	<u>6,085</u>
Total Functional Expenses	<u>\$ 971,856</u>	<u>\$ 541,637</u>	<u>\$ 104,353</u>	<u>\$ 1,617,846</u>

See accompanying notes and independent auditors' report.