

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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 financial statements of the Squam Lakes Natural Science Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 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, 2016 and 2015, 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, P.C.
MALONE, DIRUBBO & COMPANY, P.C.
Laconia, New Hampshire
July 29, 2017

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 294,852	\$ 32,656
Cash - temporarily restricted	12,292	226,968
Accounts receivable	1,635	2,375
Promises to give	239,586	68,175
Promises to give - temporarily restricted	-	372,035
Promises to give - permanently restricted	-	10,000
Inventory	60,938	35,047
Prepaid insurance	18,398	18,944
Prepaid expenses	46,913	56,274
Investments	2,112,015	1,966,610
Investments - temporarily restricted	934,480	868,777
Total Current Assets	<u>3,721,109</u>	<u>3,657,861</u>
PROPERTY AND EQUIPMENT		
Land	636,351	226,949
Buildings and improvements	5,873,581	5,778,410
Exhibits	2,146,496	2,037,768
Vehicles	173,678	136,528
Equipment	642,305	574,585
Total Property and Equipment	<u>9,472,411</u>	<u>8,754,240</u>
Less, accumulated depreciation	<u>(4,692,080)</u>	<u>(4,357,482)</u>
Net Property and Equipment	<u>4,780,331</u>	<u>4,396,758</u>
NONCURRENT ASSETS		
Promises to give (net)	67,115	14,423
Promises to give (net) - temporarily restricted	-	281,227
Other assets	11,582	11,582
Loan origination fees, net	1,546	-
Investments - permanently restricted	791,926	781,926
Total Noncurrent Assets	<u>872,169</u>	<u>1,089,158</u>
TOTAL ASSETS	<u><u>\$ 9,373,609</u></u>	<u><u>\$ 9,143,777</u></u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Line of credit	\$ 287,592	\$ -
Note payable, current portion	9,620	-
Accounts payable	19,833	2,192
Accrued expenses	39,011	33,140
Deferred revenue	35,565	26,950
Total Current Liabilities	<u>391,621</u>	<u>62,282</u>
LONG TERM LIABILITIES		
Note payable, less current portion	<u>36,849</u>	<u>-</u>
Total Long Term Liabilities	<u>36,849</u>	<u>-</u>
Total Liabilities	<u>428,470</u>	<u>62,282</u>
NET ASSETS		
Unrestricted	7,206,441	6,540,562
Temporarily restricted	946,772	1,749,007
Permanently restricted	<u>791,926</u>	<u>791,926</u>
Total Net Assets	<u>8,945,139</u>	<u>9,081,495</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,373,609</u>	<u>\$ 9,143,777</u>

See accompanying notes and independent auditors' report.

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

	UNRESTRICTED		BOARD	TEMPORARILY	PERMANENTLY	2016
	OPERATING	DESIGNATED	RESTRICTED	RESTRICTED	RESTRICTED	TOTAL
REVENUE AND SUPPORT						
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)	-	-	-
FUNCTIONAL EXPENSES (Schedule 1)						
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)
TRANSFERS OF NET ASSETS						
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	791,926	9,081,495
NET ASSETS - ENDING	\$ 250,000	\$ 6,956,441	\$ 946,772	\$ 791,926	\$ 791,926	\$ 8,945,139

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	UNRESTRICTED			TEMPORARILY	PERMANENTLY	2015
	OPERATING	BOARD DESIGNATED	RESTRICTED	RESTRICTED	RESTRICTED	TOTAL
REVENUE AND SUPPORT						
Contributions and grants	\$ 337,534	\$ 16,352	\$ 73,058	\$ 5,385	\$	432,329
Special events	99,269	-	-	-	-	99,269
In-kind income	54,896	-	77,266	-	-	132,162
Program service fees and memberships	1,104,105	-	-	-	-	1,104,105
Investment income (loss)	(592)	(48,543)	(6,088)	-	-	(55,223)
Store and café gross income	177,600	-	-	-	-	177,600
Store and café cost of sales	(88,706)	-	-	-	-	(88,706)
Miscellaneous	13,009	-	-	-	-	13,009
Total Revenue and Support	1,697,115	(32,191)	144,236	5,385		1,814,545
Net Assets Released From Restrictions	44,234	-	(44,234)	-	-	-
FUNCTIONAL EXPENSES (Schedule 1)						
Educational services	1,052,673	282,650	-	-	-	1,335,323
Management and general	598,501	-	-	-	-	598,501
Fundraising	223,723	-	-	-	-	223,723
Total Functional Expenses	1,874,897	282,650	-	-	-	2,157,547
INCREASE (DECREASE) IN NET ASSETS	(133,548)	(314,841)	100,002	5,385		(343,002)
LOSS ON DISPOSITION OF ASSETS	-	(14,901)	-	-	-	(14,901)
Total	(133,548)	(329,742)	100,002	5,385		(357,903)
TRANSFERS OF NET ASSETS						
Transfers - To Operating fund	133,548	(133,548)	-	-	-	-
Transfers - To Board Designated fund		874,746	(874,746)	-	-	-
Total Transfers	133,548	741,198	(874,746)	-	-	-
CHANGE IN NET ASSETS	-	411,456	(774,744)	5,385		(357,903)
NET ASSETS - BEGINNING	250,000	5,879,106	2,523,751	786,541		9,439,398
NET ASSETS - ENDING	\$ 250,000	\$ 6,290,562	\$ 1,749,007	\$ 791,926	\$	\$ 9,081,495

See accompanying notes and independent auditors' report.

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

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (136,356)	\$ (357,903)
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation and amortization	361,051	287,831
Loss from disposition of assets	12,458	14,901
In-kind donated fixed assets	-	(77,266)
Net unrealized (gains) losses on investments	(49,861)	158,203
Net realized (gains) losses on investments	(159,584)	(3,099)
(Increase) decrease in:		
Accounts receivable	740	(240)
Inventory	(25,891)	8,387
Prepaid expenses	9,907	(10,729)
Promises to give	439,159	400,658
Other assets	-	(11,582)
Increase (decrease) in:		
Accounts payable	17,641	(19,065)
Accrued expenses	5,871	5,306
Deferred revenue	8,615	6,575
Net Cash Provided by (Used in) Operations	<u>483,750</u>	<u>401,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	875,584	187,453
Purchase of investments	(887,247)	(188,208)
Change in restricted cash	214,676	198,895
Purchases of property and equipment	<u>(705,735)</u>	<u>(739,519)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(502,722)</u>	<u>(541,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	287,592	-
Loan closing costs	(1,750)	-
Repayment of note payable	<u>(4,674)</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>281,168</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	262,196	(139,402)
Cash and Cash Equivalents, Beginning of Year	<u>32,656</u>	<u>172,058</u>
Cash and Cash Equivalents, End of Year	<u>\$ 294,852</u>	<u>\$ 32,656</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 6,148	\$ -

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 AND 2015

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, 2016 AND 2015

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, 2016 AND 2015

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, 2016, the Organization had no uninsured funds.

o. Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2016 and 2015 were \$76,710 and \$69,665, 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, 2016 and 2015 was \$360,847 and \$287,831, respectively.

Construction in progress, included in fixed assets, as of December 31, 2016 and 2015 was \$61,384 and \$1,144,380, respectively.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3: Concentrations

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

	<u>2016</u>	<u>2015</u>
Public Support	\$ 368,510	\$ 432,329
Program Service Fees and Memberships	1,249,755	1,104,105
Investment Income (loss)	300,201	(55,223)
In-Kind	44,981	132,162
Special Events	150,202	99,269
Other	119,985	101,903
Total	<u>\$2,233,634</u>	<u>\$1,814,545</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:

	December 31, 2016	December 31, 2015		
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 4,810	\$ 4,810	\$ -	\$ -
Mutual Funds	<u>3,745,620</u>	<u>3,833,611</u>	<u>3,540,032</u>	<u>3,617,313</u>
Total	\$3,750,430	\$3,838,421	\$3,540,032	\$3,617,313

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 87,432	\$ 82,608
Capital gain distributions	4,246	18,356
Net realized gains	159,584	3,099
Net unrealized gains (losses)	49,861	(158,203)
Investment fees	(922)	(1,083)
Total	<u>\$ 300,201</u>	<u>\$ (55,223)</u>

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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.

During the years ended December 31, 2016 and 2015 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

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5: Endowment (continued)

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	<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>

The Organization had the following endowment related activities for the year ended December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 517,756	\$ 786,541
Investment income	28,004	-
Net appreciation (depreciation)	<u>(38,685)</u>	<u>-</u>
Total investment return	(10,681)	-
Contributions to endowment	-	5,385
Amounts appropriated for expenditure	<u>(70,669)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 436,406</u>	<u>\$ 791,926</u>

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015.

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, 2016 AND 2015

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, 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>

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ -	\$ -	\$ -	\$ -
Mutual funds	3,617,313	-	-	3,617,313
Promises to give	-	-	745,860	745,860
Total	<u>\$ 3,617,313</u>	<u>\$ -</u>	<u>\$ 745,860</u>	<u>\$ 4,363,173</u>

NOTE 7: Promises to Give

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

	<u>2016</u>	<u>2015</u>
Promises to give in less than one year	\$ 239,586	\$ 450,210
Promises to give in one to five years	69,800	307,476
Less discount to net present value	<u>(2,685)</u>	<u>(11,826)</u>
Net promises to give at December 31,	<u>\$ 306,701</u>	<u>\$ 745,860</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 2016 and 2015 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.

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, 2016 the total pledged or contributed to the capital campaign was \$4,077,879. Promises to give related to the capital campaign were \$291,910 and \$653,262 at December 31, 2016 and 2015, respectively.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8: Note Payable

Note payable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
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	46,469	-
	46,469	-
Less current portion	9,620	-
Total	<u>\$ 36,849</u>	<u>\$ -</u>

Maturities of the note payable are scheduled as follows:

Year ending, December 31,

2017	\$ 9,620
2018	10,011
2019	10,418
2020	10,841
2021	5,579
Total	<u>\$ 46,469</u>

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 (3.75% at December 31, 2016). The line of credit matures on June 28, 2021. The line is secured by marketable securities with a value of \$835,280. The principal balance of the line of credit at December 31, 2016 was \$287,592.

NOTE 10: Restricted Net Assets

Restricted net assets include the following at December 31:

	<u>2016</u>	<u>2015</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	15,996	15,996
Total	<u>\$ 791,926</u>	<u>\$ 791,926</u>

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 10: Restricted Net Assets (continued)

Temporarily Restricted:

Main Scholarship Fund	\$ 16,625	\$ 15,098
Bird Museum	84,355	77,825
Kirkwood Gardens	71,163	66,680
Orton Bear	78,570	72,453
Gordon's Children Center	18,354	17,920
Osprey Project	4,542	15,977
Coyote Exhibit	27,527	25,395
Innovative Project Fund	118,785	119,223
Nature Matters	-	853,019
Endowment Investment Fund Appreciation	469,955	436,406
Temporary Grants	2,465	12,192
All Other	54,431	36,819
Total	<u>\$ 946,772</u>	<u>\$1,749,007</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 \$44,981 and \$132,162 during 2016 and 2015, 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, 2016 AND 2015

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>2016</u>	<u>2015</u>
Board Designated Reserve	\$ 667,552	\$ 146,091
Forestry Fund	-	(9,139)
Facilities Maintenance Reserve	1,102,919	892,587
Staff Compensation	920,000	-
Nature Matters Reserve	-	864,265
Real Estate & Equipment	<u>4,265,970</u>	<u>4,396,758</u>
 Total Board Designated Funds	 6,956,441	 6,290,562
 Operating Fund	 <u>250,000</u>	 <u>250,000</u>
 Total	 <u>\$7,206,441</u>	 <u>\$6,540,562</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 \$38,080 in 2016 and \$34,884 in 2015.

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, 2016 was \$204.

NOTE 16: Subsequent Events

Management has evaluated subsequent events through July 29, 2017 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, 2016

	<u>Educational Services</u>	<u>Management & 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
 Total Functional Expenses	 \$ 1,448,500	 \$ 655,036	 \$ 253,996	 \$ 2,357,532

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Educational Services</u>	<u>Management & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 805,397	314,144	124,767	\$ 1,244,308
Depreciation	287,831	-	-	287,831
Maintenance and utilities	1,680	134,571	1,895	138,146
Other expenses	49,289	45,438	6,368	101,095
Advertising	66,613	25	3,027	69,665
Special events	-	-	69,122	69,122
Animal care	59,235	-	-	59,235
Professional fees	-	51,594	-	51,594
Insurance	13,977	26,615	2,059	42,651
Boat expense	37,406	-	-	37,406
Printing & reproduction	6,513	3,403	13,397	23,313
Supplies	1,139	20,203	-	21,342
Programs	6,243	-	-	6,243
Postage	-	2,508	3,088	5,596
 Total Functional Expenses	 \$ 1,335,323	 \$ 598,501	 \$ 223,723	 \$ 2,157,547

See accompanying notes and independent auditors' report.