

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018 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, 2019 and 2018, 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.

Malone Dirubbo & Company P.C.
MALONE, DIRUBBO & COMPANY, P.C.
Laconia, New Hampshire
November 7, 2020

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 130,982	\$ 59,010
Cash - with donor restrictions	7,506	584,038
Accounts receivable	4,737	9,377
Promises to give	2,050	55,075
Promises to give - with donor restrictions	145,900	151,500
Inventory	62,503	56,210
Prepaid insurance	16,651	23,738
Prepaid expenses	63,896	47,859
Investments	2,601,606	2,296,356
Investments - with donor restrictions	944,106	665,645
	<u>3,979,937</u>	<u>3,948,808</u>
PROPERTY AND EQUIPMENT		
Land	636,351	636,351
Buildings and improvements	7,046,819	5,840,889
Exhibits	2,372,096	2,351,290
Vehicles	234,266	185,366
Equipment	819,122	742,021
Total Property and Equipment	<u>11,108,654</u>	<u>9,755,917</u>
Less, accumulated depreciation	<u>(5,745,339)</u>	<u>(5,355,537)</u>
Net Property and Equipment	<u>5,363,315</u>	<u>4,400,380</u>
NONCURRENT ASSETS		
Promises to give (net) - with donor restrictions	262,177	262,303
Other assets	12,597	12,247
Loan origination fees, net	496	846
Investments - with donor restrictions	1,459,184	1,254,498
Total Noncurrent Assets	<u>1,734,454</u>	<u>1,529,894</u>
TOTAL ASSETS	<u>\$ 11,077,706</u>	<u>\$ 9,879,082</u>

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Note payable, current portion	\$ 10,841	\$ 10,418
Accounts payable	36,368	84,980
Accrued expenses	45,360	52,785
Deferred revenue	75,927	60,938
Total Current Liabilities	<u>168,496</u>	<u>209,121</u>
LONG TERM LIABILITIES		
Note payable, less current portion	<u>5,579</u>	<u>16,420</u>
Total Long Term Liabilities	<u>5,579</u>	<u>16,420</u>
Total Liabilities	<u>174,075</u>	<u>225,541</u>
NET ASSETS		
Without donor restrictions	8,084,758	6,735,557
With donor restrictions	<u>2,818,873</u>	<u>2,917,984</u>
Total Net Assets	<u>10,903,631</u>	<u>9,653,541</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,077,706</u>	<u>\$ 9,879,082</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTIONS			TOTAL
	OPERATING	BOARD DESIGNATED	WITH DONOR RESTRICTIONS	
REVENUE AND SUPPORT				
Contributions and grants	\$ 355,885	\$ -	\$ 763,822	\$ 1,119,707
Special events	127,282	-	-	127,282
In-kind income	9,886	-	180,252	190,138
Program service fees and memberships	1,554,384	-	-	1,554,384
Investment income (loss)	(278)	550,837	364,172	914,731
Store and café gross income	238,294	-	-	238,294
Store and café cost of sales	(111,902)	-	-	(111,902)
Miscellaneous	17,684	-	-	17,684
Total Revenue and Support	2,191,235	550,837	1,308,246	4,050,318
Net Assets Released From Restrictions	90,909	-	(90,909)	-
FUNCTIONAL EXPENSES				
Educational services	1,410,316	400,230	-	1,810,546
Management and general	701,531	-	-	701,531
Fundraising	288,151	-	-	288,151
Total Functional Expenses	2,399,998	400,230	-	2,800,228
INCREASE (DECREASE) IN NET ASSETS	(117,854)	150,607	1,217,337	1,250,090
TRANSFERS OF NET ASSETS				
Transfers - to operating fund	117,854	(117,854)	-	-
Transfers - to board designated fund	-	1,316,448	(1,316,448)	-
Total Transfers	117,854	1,198,594	(1,316,448)	-
CHANGE IN NET ASSETS	-	1,349,201	(99,111)	1,250,090
NET ASSETS - BEGINNING	250,000	6,485,557	2,917,984	9,653,541
NET ASSETS - ENDING	<u>\$ 250,000</u>	<u>\$ 7,834,758</u>	<u>\$ 2,818,873</u>	<u>\$ 10,903,631</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTIONS			
	OPERATING	BOARD DESIGNATED	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT				
Contributions and grants	\$ 362,670	\$ -	\$ 826,600	\$ 1,189,270
Special events	205,133	-	-	205,133
In-kind income	31,647	-	-	31,647
Program service fees and memberships	1,330,824	-	-	1,330,824
Investment income (loss)	(684)	(164,471)	(109,836)	(274,991)
Store and café gross income	207,705	-	-	207,705
Store and café cost of sales	(99,452)	-	-	(99,452)
Miscellaneous	9,294	-	-	9,294
Total Revenue and Support	<u>2,047,137</u>	<u>(164,471)</u>	<u>716,764</u>	<u>2,599,430</u>
Net Assets Released From Restrictions	70,093	-	(70,093)	-
FUNCTIONAL EXPENSES				
Educational services	1,169,069	446,599	-	1,615,668
Management and general	732,571	-	-	732,571
Fundraising	314,658	-	-	314,658
Total Functional Expenses	<u>2,216,298</u>	<u>446,599</u>	<u>-</u>	<u>2,662,897</u>
INCREASE (DECREASE) IN NET ASSETS	(99,068)	(611,070)	646,671	(63,467)
LOSS ON DISPOSITION OF ASSETS	(4,252)	-	-	(4,252)
Total increase (decrease) in net assets before transfers	(103,320)	(611,070)	646,671	(67,719)
TRANSFERS OF NET ASSETS				
Transfers - to operating fund	103,320	(103,320)	-	-
Transfers - to board designated fund	-	207,682	(207,682)	-
Total Transfers	<u>103,320</u>	<u>104,362</u>	<u>(207,682)</u>	<u>-</u>
CHANGE IN NET ASSETS	-	(506,708)	438,989	(67,719)
NET ASSETS - BEGINNING	<u>250,000</u>	<u>6,992,265</u>	<u>2,478,995</u>	<u>9,721,260</u>
NET ASSETS - ENDING	<u>\$ 250,000</u>	<u>\$ 6,485,557</u>	<u>\$ 2,917,984</u>	<u>\$ 9,653,541</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Educational Services</u>	<u>Management & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 1,069,620	\$ 390,921	\$ 171,519	\$ 1,632,060
Depreciation and amortization	389,802	350	-	390,152
Maintenance and utilities	150	150,893	-	151,043
Other expenses	53,863	64,327	9,927	128,117
Special events	-	-	64,126	64,126
Animal care	51,685	-	-	51,685
Professional fees	83,155	18,832	18,450	120,437
Boat expense	37,533	-	-	37,533
Insurance	16,512	35,690	2,908	55,110
Advertising	76,279	125	-	76,404
Supplies	3,393	28,621	65	32,079
Printing & reproduction	6,586	4,172	16,649	27,407
Postage	-	2,274	4,507	6,781
Interest	-	5,326	-	5,326
Programs	21,968	-	-	21,968
Total Functional Expenses	<u>\$ 1,810,546</u>	<u>\$ 701,531</u>	<u>\$ 288,151</u>	<u>\$ 2,800,228</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Educational Services</u>	<u>Management & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 963,535	\$ 380,060	\$ 167,361	\$ 1,510,956
Depreciation and amortization	374,109	350	-	374,459
Maintenance and utilities	-	144,611	206	144,817
Other expenses	41,351	56,825	7,986	106,162
Special events	-	-	110,453	110,453
Animal care	56,469	-	-	56,469
Professional fees	2,574	84,710	5,400	92,684
Boat expense	50,361	714	-	51,075
Insurance	16,099	36,810	2,719	55,628
Advertising	72,520	349	-	72,869
Supplies	1,052	18,004	60	19,116
Printing & reproduction	6,874	6,258	15,783	28,915
Postage	-	2,591	4,690	7,281
Interest	-	1,289	-	1,289
Programs	30,724	-	-	30,724
Total Functional Expenses	\$ 1,615,668	\$ 732,571	\$ 314,658	\$ 2,662,897

See accompanying notes and independent auditors' report.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,250,090	\$ (67,719)
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation and amortization	390,152	374,459
Loss from disposition of assets	-	4,251
Inkind donated assets	(180,252)	(3,000)
Net unrealized (gains) losses on investments	(647,991)	421,322
Net realized (gains) losses on investments	(147,999)	(37,663)
(Increase) decrease in:		
Accounts receivable	4,640	(7,216)
Inventory	(6,293)	(3,048)
Prepaid expenses	(8,950)	(23,958)
Promises to give	58,751	(399,570)
Other assets	-	(339)
Increase (decrease) in:		
Accounts payable	(48,612)	71,047
Accrued expenses	(7,425)	9,425
Deferred revenue	14,989	19,545
	<u>671,100</u>	<u>357,536</u>
Net Cash Provided by Operations		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	499,858	399,464
Purchase of investments	(492,265)	(511,305)
Purchases of property and equipment	(1,172,835)	(202,546)
	<u>(1,165,242)</u>	<u>(314,387)</u>
Net Cash Used in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	(10,418)	(10,011)
	<u>(10,418)</u>	<u>(10,011)</u>
Net Cash Provided by (Used in) Financing Activities		
Net increase (decrease) in cash and cash equivalents	(504,560)	33,138
Cash and Cash Equivalents, Beginning of Year	643,048	609,910
Cash and Cash Equivalents, End of Year	<u>\$ 138,488</u>	<u>\$ 643,048</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 5,326	\$ 1,289

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and board of directors. The Organization's net assets without donor restrictions include board designated, real estate and equipment and facilities maintenance reserves.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. The Organization has elected to have all donor contributions with restrictions expiring in the same reporting period recorded as donor contributions without restrictions.

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).

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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 with or without donor 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, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

j. Public Revenue and Support (continued)

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. Functional Expenses

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

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.

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, 2019, the Organization has no uninsured funds.

o. Advertising Costs

The Organization expenses advertising costs as they are incurred.

q. Updated Presentation

In 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

q. Updated Presentation (continued)

The Organization has adopted ASU No. 2018-08, Not-For-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended December 31, 2019 did not result in a change to the accounting for the Organization's revenue. Management believes the standard improves the usefulness and understandability of Organization's financial reporting.

NOTE 2: Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 138,488	\$ 643,048
Promises to give	410,127	468,878
Accounts receivable	4,737	9,377
Investments	5,004,896	4,216,499
Total financial assets	5,558,248	5,337,802
Donor-imposed restrictions:		
Funds subject to time and purpose restrictions	(2,813,873)	(2,917,984)
Net financial assets after donor-imposed restrictions	2,744,375	2,419,818
Less board designated funds:		
Facilities maintenance reserve	(1,296,393)	(1,109,386)
Staff compensation reserve	(1,213,341)	(996,817)
Financial assets available to meet general expenditures over the next twelve months	\$ 234,641	\$ 313,615

The Organization regularly monitors resources required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers all expenditures related to its ongoing activities of educating the public about wildlife and earth science. In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted funds. Refer to the statement of cash flow which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3: 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, 2019 and 2018 was \$389,802 and \$374,109, respectively.

Construction in progress, included in fixed assets, as of December 31, 2019 and 2018 was \$22,319 and \$132,501, respectively.

NOTE 4: Concentrations

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

	<u>2019</u>	<u>2018</u>
Public Support	\$1,119,707	\$1,189,270
Program Service Fees and Memberships	1,554,384	1,330,824
Investment Income (loss)	914,731	(274,991)
In-Kind	190,138	31,647
Special Events	127,282	205,133
Other	144,076	117,547
Total	<u>\$4,050,318</u>	<u>\$2,599,430</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, 2019 AND 2018

NOTE 5: 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, 2019</u>		<u>December 31, 2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 305,556	\$ 305,556	\$ 6,424	\$ 6,424
Mutual funds and ETFs	<u>3,804,540</u>	<u>4,699,340</u>	<u>3,963,249</u>	<u>4,210,075</u>
Total	<u>\$4,110,096</u>	<u>\$5,004,896</u>	<u>\$3,969,673</u>	<u>\$4,216,499</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 117,182	\$ 105,646
Capital gain distributions	3,842	6,586
Net realized gains	147,999	37,663
Net unrealized gains (losses)	647,991	(421,322)
Investment fees	<u>(2,283)</u>	<u>(3,564)</u>
Total	<u>\$ 914,731</u>	<u>\$ (274,991)</u>

NOTE 6: 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.

SQUAM LAKES NATURAL SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 6: Endowment (continued)

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, 2019 and 2018 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, 2019:

Endowment net assets, beginning of year	<u>\$ 1,254,498</u>
Investment income	34,781
Net appreciation	<u>227,459</u>
Total investment return	262,240
Contributions to endowment	-
Amounts appropriated for expenditure	<u>(57,554)</u>
Endowment net assets, end of year	<u>\$ 1,459,184</u>

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NOTE 6: Endowment (continued)

The Organization had the following endowment related activities for the year ended December 31, 2018:

Endowment net assets, beginning of year	<u>\$ 1,415,551</u>
Investment income	30,420
Net depreciation	<u>(108,722)</u>
Total investment return (decline)	(78,302)
Contributions to endowment	-
Amounts appropriated for expenditure	<u>(82,751)</u>
Endowment net assets, end of year	<u>\$ 1,254,498</u>

NOTE 7: 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.

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NOTE 7: 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, 2019 and 2018.

Cash, Mutual funds, ETFs 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 305,556	\$ -	\$ -	\$ 305,556
Mutual funds and ETFs	4,699,340	-	-	4,699,340
Promises to give	-	-	410,127	410,127
 Total	 <u>\$ 5,004,896</u>	 <u>\$ -</u>	 <u>\$ 410,127</u>	 <u>\$ 5,415,023</u>

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 6,424	\$ -	\$ -	\$ 6,424
Mutual funds and ETFs	4,210,075	-	-	4,210,075
Promises to give	-	-	468,878	468,878
 Total	 <u>\$ 4,216,499</u>	 <u>\$ -</u>	 <u>\$ 468,878</u>	 <u>\$ 4,685,377</u>

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NOTE 8: Promises to Give

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

	2019	2018
Promises to give in less than one year	\$ 147,950	\$ 206,575
Promises to give in one to five years	298,300	296,282
Less discount to net present value	(36,123)	(33,979)
 Net promises to give at December 31,	 \$ 410,127	 \$ 468,878

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 4.75% in 2019 and 4% in 2018 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.

In 2018 the Organization launched a capital campaign, known as Education Matters. The purpose of the campaign is to reinforce the impact of the Organization's mission while building long term sustainability. This campaign supports the addition of a new education building, the lake cruise headquarters, a new exhibit, and strengthens the Organization's financial foundation. As of December 31, 2019 and 2018 the total pledged or contributed to the capital campaign was \$2,239,248 and \$1,607,399, respectively. Promises to give related to the capital campaign was \$408,077 and \$413,803 at December 31, 2019 and 2018, respectively.

NOTE 9: Note Payable

Note payable consisted of the following at December 31:

	2019	2018
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	16,420	26,838
Less current portion	16,420 10,841	26,838 10,418
Total	\$ 5,579	\$ 16,420

Maturities of the note payable are scheduled as follows:

Year ending, December 31,

2020	\$ 10,841
2021	5,579
Total	\$ 16,420

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NOTE 10: 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 (4.75% at December 31, 2019). The line of credit matures on June 28, 2021. The line is secured by marketable securities with a value of \$1,255,421 and \$959,766 at December 31, 2019 and 2018, respectfully. The principal balance of the line of credit at December 31, 2019 and 2018 was \$0.

NOTE 11: Net Assets with Donor Restrictions

Net assets with donor restrictions include the following at December 31:

With Donor Restrictions:	<u>2019</u>	<u>2018</u>
Main Scholarship Fund	\$ 15,695	\$ 16,705
Bird Museum	110,058	91,052
Kirkwood Gardens	81,071	69,707
Orton Bear	94,690	78,302
Gordon's Children Center	32,228	24,176
Osprey Project	-	662
Coyote Exhibit	36,182	29,825
Innovative Project Fund	87,734	113,855
Education Matters	309,400	1,052,402
Scholarship Fund	1,800	-
Raptor Exhibit	412,542	25,000
Lake Cruise Headquarters	55,000	50,000
Trail Camera Project	16,911	18,611
Temporary Grants	31,131	36,032
Volunteer Software	7,016	7,406
BHS Scholarship	1,319	1,319
Bob Cat	46,955	37,326
Library Fund	5,547	4,573
Squam Bird Book	4,650	-
Otter Improvements	9,760	6,533
General Endowment	1,083,250	930,689
Gordon's Children Center Endowment	143,920	124,038
Otter Endowment	64,296	55,321
Naturalist Salaries Endowment	105,125	90,634
Barry Endowment	<u>62,593</u>	<u>53,816</u>
 Total	 <u>\$2,818,873</u>	 <u>\$2,917,984</u>

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NOTE 12: 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 \$190,138 and \$31,647 during 2019 and 2018, respectively. Additionally, the Organization receives a significant amount of contributed time which does not meet the two recognition criteria described above. For example, volunteer services supporting operational assistance, including docents, administrative support and trail maintenance. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

NOTE 13: Net assets without Donor Restrictions

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

	2019	2018
Board Designated Reserve	\$ 496,250	\$ 523,582
Facilities Maintenance Reserve	1,296,394	1,109,386
Staff Compensation Reserve	1,213,341	996,817
Real Estate & Equipment	4,828,773	3,855,772
Total Board Designated Funds	7,834,758	6,485,557
Operating Fund	250,000	250,000
Total	<u>\$8,084,758</u>	<u>\$6,735,557</u>

NOTE 14: 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 \$50,972 in 2019 and \$45,072 in 2018.

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NOTE 15: Subsequent Events

Subsequent to December 31, 2019, local U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. Most sectors are experiencing disruption to business operations and may feel further impacts. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Management has recognized financial and other impacts to the Organization as of November 7, 2020. While management believes that a material impact on the Organization's financial position and results of future operations could be possible, the Organization has taken steps to mitigate this impact. The Organization has significant financial assets available to navigate these uncertainties.

The U.S. government has responded with three phases of relief legislation, as a response to the COVID-19 outbreak. The most recent legislation was enacted into law on March 27, 2020, called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a statute to address the economic impact of the COVID-19 outbreak. The CARES Act, among other things, 1) authorizes emergency loans to distressed businesses by establishing, and providing funding for forgivable bridge loans; 2) provides additional funding for grants and technical assistance; 3) delays due dates for employer payroll taxes and estimated tax payments; and 4) revises provisions of the Code, including those related to losses, charitable deductions, and business interest. Management is in the process of evaluating the impact of the CARES Act on the Organization, including its potential benefits and limitations that may result from, among other things, revenues. Accordingly, the effects of the CARES Act on the Organization's financial statements have not yet been determined. The Organization received funding of \$323,000 on April 16, 2020 under the Paycheck Protection Program. In addition, the Organization received a grant from the Non-Profit Relief Fund Beneficiary Award in the amount of \$369,591 and a grant from the New Hampshire Department of Health and Human Services for COVID-19 Child Care Assistance Supplement in the amount of \$23,800.

Management has evaluated subsequent events through November 7, 2020 the date the financial statements were available to be issued.