

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

SQUAM LAKES NATURAL SCIENCE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of the Squam Lakes Natural Science Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Squam Lakes Natural Science Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Squam Lakes Natural Science Center's ability to

continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Squam Lakes Natural Science Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Squam Lakes Natural Science Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Malone Dirubbo & Company, PC*  
MALONE, DIRUBBO & COMPANY, P.C.  
Laconia, New Hampshire  
July 15, 2023

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31

ASSETS

	<u>2022</u>	<u>2021</u> (Restated)
<b>CURRENT ASSETS</b>		
Cash	\$ 180,082	\$ 557,991
Cash - with donor restrictions	438,302	327,330
Accounts receivable	6,025	2,606
Employee retention credit receivable	606,751	606,751
Pledges receivable	500	5,050
Pledges receivable - donor restrictions	68,800	229,931
Inventory	20,575	20,677
Prepaid insurance	19,868	18,844
Prepaid expenses	52,353	40,144
Investments	3,067,498	3,627,730
Investments - donor restrictions	622,055	706,283
	<hr/>	<hr/>
Total Current Assets	5,082,809	6,143,337
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT</b>		
Land	636,351	636,351
Buildings and improvements	7,402,528	7,401,087
Exhibits	2,827,394	2,550,165
Vehicles	226,290	226,290
Equipment	880,147	854,784
	<hr/>	<hr/>
Total Property and Equipment	11,972,710	11,668,677
	<hr/>	<hr/>
Less, accumulated depreciation	(6,884,468)	(6,517,218)
	<hr/>	<hr/>
Net Property and Equipment	5,088,242	5,151,459
	<hr/>	<hr/>
<b>NONCURRENT ASSETS</b>		
Pledges receivable, net - donor restrictions	19,599	80,163
Other assets	14,920	14,881
Investments - donor restrictions	1,451,507	1,792,166
	<hr/>	<hr/>
Total Noncurrent Assets	1,486,026	1,887,210
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 11,657,077</b>	<b>\$ 13,182,006</b>
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>
CURRENT LIABILITIES		
Accounts payable	\$ 48,392	\$ 35,662
Accrued expenses	31,275	62,114
Deferred revenue	<u>95,499</u>	<u>69,980</u>
Total Liabilities	<u>175,166</u>	<u>167,756</u>
NET ASSETS		
Without donor restrictions	8,881,648	9,878,377
With donor restrictions	<u>2,600,263</u>	<u>3,135,873</u>
Total Net Assets	<u>11,481,911</u>	<u>13,014,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,657,077</u>	<u>\$ 13,182,006</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS			
	OPERATING	BOARD DESIGNATED	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT				
Program services	\$ 1,351,390	\$ -	\$ -	\$ 1,351,390
Contributions and grants	471,534	-	261,146	732,680
Membership income	252,035	-	-	252,035
Special events	123,208	-	-	123,208
Store income, net	120,892	-	-	120,892
Investment income (loss)	-	(596,422)	(388,409)	(984,831)
In-kind income	18,494	-	-	18,494
Miscellaneous	11,676	-	-	11,676
Total Revenue and Support	<u>2,349,229</u>	<u>(596,422)</u>	<u>(127,263)</u>	<u>1,625,544</u>
Net Assets Released From Restrictions	<u>73,784</u>	<u>-</u>	<u>(73,784)</u>	<u>-</u>
FUNCTIONAL EXPENSES				
Educational services	1,631,267	376,401	-	2,007,668
Management and general	857,174	-	-	857,174
Fundraising	299,541	-	-	299,541
Total Functional Expenses	<u>2,787,982</u>	<u>376,401</u>	<u>-</u>	<u>3,164,383</u>
INCREASE (DECREASE) IN NET ASSETS	(364,969)	(972,823)	(201,047)	(1,538,839)
GAIN ON DISPOSITION OF ASSETS	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>6,500</u>
Total increase (decrease) in net assets before transfers	(358,469)	(972,823)	(201,047)	(1,532,339)
TRANSFERS OF NET ASSETS				
Transfers - to operating fund	358,469	(358,469)	-	-
Transfers - to board designated fund	<u>-</u>	<u>334,563</u>	<u>(334,563)</u>	<u>-</u>
Total Transfers	<u>358,469</u>	<u>(23,906)</u>	<u>(334,563)</u>	<u>-</u>
CHANGE IN NET ASSETS	-	(996,729)	(535,610)	(1,532,339)
NET ASSETS - BEGINNING	<u>250,000</u>	<u>9,628,377</u>	<u>3,135,873</u>	<u>13,014,250</u>
NET ASSETS - ENDING	<u>\$ 250,000</u>	<u>\$ 8,631,648</u>	<u>\$ 2,600,263</u>	<u>\$ 11,481,911</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(RESTATED)

	WITHOUT DONOR RESTRICTIONS			TOTAL
	OPERATING	BOARD DESIGNATED	WITH DONOR RESTRICTIONS	
REVENUE AND SUPPORT				
Program services	\$ 1,193,738	\$ -	\$ -	\$ 1,193,738
Contributions and grants	1,275,101	100,000	581,003	1,956,104
Membership income	233,915	-	-	233,915
Special events	45,978	-	-	45,978
Store income, net	120,677	-	-	120,677
Investment income	-	463,584	311,614	775,198
In-kind income	13,215	-	-	13,215
Miscellaneous	14,739	-	-	14,739
Total Revenue and Support	<u>2,897,363</u>	<u>563,584</u>	<u>892,617</u>	<u>4,353,564</u>
Net Assets Released From Restrictions	<u>88,565</u>	<u>-</u>	<u>(88,565)</u>	<u>-</u>
FUNCTIONAL EXPENSES				
Educational services	1,416,760	353,713	-	1,770,473
Management and general	791,150	-	-	791,150
Fundraising	243,569	-	-	243,569
Total Functional Expenses	<u>2,451,479</u>	<u>353,713</u>	<u>-</u>	<u>2,805,192</u>
INCREASE IN NET ASSETS	534,449	209,871	804,052	1,548,372
TRANSFERS OF NET ASSETS				
Transfers - from operating fund	(534,449)	534,449	-	-
Transfers - to board designated fund	-	311,963	(311,963)	-
Total Transfers	<u>(534,449)</u>	<u>846,412</u>	<u>(311,963)</u>	<u>-</u>
CHANGE IN NET ASSETS	-	1,056,283	492,089	1,548,372
NET ASSETS - BEGINNING, previously stated	250,000	8,474,022	2,643,784	11,367,806
Prior period adjustment	98,072	-	-	98,072
Transfer to board designated fund	(98,072)	98,072	-	-
NET ASSETS - BEGINNING, as restated	<u>250,000</u>	<u>8,572,094</u>	<u>2,643,784</u>	<u>11,465,878</u>
NET ASSETS - ENDING	<u>\$ 250,000</u>	<u>\$ 9,628,377</u>	<u>\$ 3,135,873</u>	<u>\$ 13,014,250</u>

See accompanying notes and independent auditors' report.



SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Educational Services</u>	<u>Management &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses	\$ 1,265,483	\$ 464,190	\$ 214,105	\$ 1,943,778
Depreciation and amortization	376,051	350	-	376,401
Maintenance and utilities	972	200,663	-	201,635
Other expenses	47,855	70,924	4,140	122,919
Special events	-	-	63,557	63,557
Animal care	113,287	-	-	113,287
Professional fees	43,824	52,001	-	95,825
Boat expense	46,487	-	-	46,487
Insurance	13,318	41,460	2,183	56,961
Advertising	62,426	-	-	62,426
Supplies	2,620	23,327	-	25,947
Printing & reproduction	12,352	-	11,300	23,652
Postage	-	4,259	4,256	8,515
Programs	22,993	-	-	22,993
 Total Functional Expenses	 <u>\$ 2,007,668</u>	 <u>\$ 857,174</u>	 <u>\$ 299,541</u>	 <u>\$ 3,164,383</u>

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(RESTATED)

	Educational Services	Management & Administrative	Fundraising	Total
Personnel expenses	\$ 1,142,825	\$ 482,106	\$ 199,107	\$ 1,824,038
Depreciation and amortization	373,089	350	-	373,439
Maintenance and utilities	-	141,781	-	141,781
Other expenses	34,302	61,532	5,947	101,781
Special events	-	-	763	763
Animal care	78,189	-	-	78,189
Professional fees	6,251	44,494	15,000	65,745
Boat expense	38,425	-	-	38,425
Insurance	11,484	38,822	1,956	52,262
Advertising	56,545	-	-	56,545
Supplies	3,227	17,883	-	21,110
Printing & reproduction	5,014	2,151	16,409	23,574
Postage	-	2,031	4,387	6,418
Programs	21,122	-	-	21,122
 Total Functional Expenses	 <u>\$ 1,770,473</u>	 <u>\$ 791,150</u>	 <u>\$ 243,569</u>	 <u>\$ 2,805,192</u>

See accompanying notes and independent auditors' report.

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

	<u>2022</u>	<u>2021</u> (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,532,339)	\$ 1,548,372
Adjustments to reconcile net assets to net cash provided by (used in) operations:		
Depreciation and amortization	376,401	373,439
Gain from disposition of assets	6,500	-
Inkind donated assets	-	-
Net unrealized (gains) losses on investments	1,445,264	(570,173)
Net realized (gains) losses on investments	(345,017)	(90,764)
(Increase) decrease in:		
Accounts receivable	(3,419)	(2,606)
Other receivable	-	(508,679)
Inventory	102	5,049
Prepaid expenses	(13,233)	3,115
Pledges receivable	226,245	30,538
Other assets	(1,585)	(375)
Increase (decrease) in:		
Accounts payable	12,730	12,558
Accrued expenses	(30,839)	41,275
Deferred revenue	25,519	(3,592)
 Net Cash Provided by Operations	 <u>166,329</u>	 <u>838,157</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	584,872	191,217
Purchase of loan origination fees	-	(1,750)
Purchase of investments	(700,000)	(306,189)
Purchases of property and equipment	(318,138)	(281,936)
 Net Cash Used in Investing Activities	 <u>(433,266)</u>	 <u>(398,658)</u>
 Net increase (decrease) in cash and cash equivalents	 (266,937)	 439,499
Cash and Cash Equivalents, Beginning of Year	<u>885,321</u>	<u>445,822</u>
Cash and Cash Equivalents, End of Year	<u>\$ 618,384</u>	<u>\$ 885,321</u>
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ -	\$ -

See accompanying notes and independent auditors' report.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1: Summary of Significant Accounting Policies

a. Organization

The Squam Lakes Natural Science Center was established in 1966 and 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.

The Organization established the Blue Heron School, which is a nature-based Montessori early learning center with a child-focused approach and daily outdoor experiences.

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.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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 6).

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

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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 pledges are recorded when the pledge is received. Unconditional pledges due in the next year are reflected as current pledges and are recorded at their net realizable value. Unconditional pledges due in subsequent years are reflected as long-term pledges and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges 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.

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. See Note 3 for additional disclosures.

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.

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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, 2022, the Organization has approximately \$344,000 in uninsured funds.

o. Advertising Costs

The Organization expenses advertising costs as they are incurred.

p. Income Tax Positions

The Organization adopted the recognition requirements for uncertain tax positions as required by accounting principles generally accepted in the United State of America, 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 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, 2022 and 2021.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

q. Reclassification

Certain items have been reclassified to confirm with the current year presentation

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 2: Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 618,384	\$ 885,321
Pledges receivable	88,899	315,144
Accounts receivable	6,025	2,606
Other accounts receivable	606,751	606,751
Investments	5,141,060	6,126,179
Total financial assets	6,461,119	7,936,001
Donor-imposed restrictions:		
Funds subject to time and purpose restrictions	(2,600,263)	(3,135,873)
Net financial assets after donor-imposed restrictions	3,860,856	4,800,128
Less board designated funds:		
Facilities maintenance reserve	(1,306,741)	(1,607,748)
Staff compensation reserve	(1,226,751)	(1,534,843)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,327,364	\$ 1,657,537

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.

NOTE 3: Revenue Recognition

REVENUE RECOGNITION POLICY

The Organization derives its revenues from fees collected for programs provided and annual memberships. The Organization recognizes fee income and the related costs at the time the service is received by customers, which has been determined to be the time when persuasive evidence of an arrangement exists, delivery of the service has been made, and a fixed fee and collectability have been determined.

In addition, the Organization derives revenue from the sale of goods sold at the store. Control of merchandise transfers to the customer at the time of purchase.



SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 3: Revenue Recognition (continued)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at point in time	\$ 1,858,204	\$ 1,652,807
Performance obligations satisfied over time	<u>-</u>	<u>-</u>
Total Net Sales	\$ <u>1,858,204</u>	\$ <u>1,652,807</u>

PERFORMANCE OBLIGATIONS

Performance obligations are met when the services are received by the customer or when the goods are transferred to the customer.

DEFERRED REVENUE

Deferred revenue is based on fees collected for services that have not yet been performed. Deferred revenue for the years ended December 31, 2022 and 2021 were \$95,499 and \$69,980, respectively.

NOTE 4: 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 and improvements	15-40
Exhibits	5-20
Equipment and Vehicles	5-7

SQUAM LAKES NATURAL SCIENCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 4: Property and Equipment (continued)

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, 2022 and 2021 was \$376,051 and \$373,089, respectively.

Construction in progress, included in fixed assets, as of December 31, 2022 and 2021 was \$229,172 and \$425,086, respectively.

NOTE 5: Program Revenue

The Organization's sources of program revenue are as follows:

	<u>2022</u>	<u>2021</u>
Trail Admissions	\$ 659,694	\$ 654,075
Tuition	277,613	248,161
Lake Cruises	189,516	114,879
Education	200,117	164,873
Sponsorships	<u>24,450</u>	<u>11,750</u>
Total	<u>\$1,351,390</u>	<u>\$1,193,738</u>

NOTE 6: 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.

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NOTE 6: Investments and Investment Income (continued)

The composition of investments is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 305,880	\$ 305,880	\$ 351,124	\$ 351,124
Mutual funds and ETFs	<u>4,339,485</u>	<u>4,835,180</u>	<u>3,759,558</u>	<u>5,775,055</u>
Total	<u>\$4,645,365</u>	<u>\$5,141,060</u>	<u>\$4,110,682</u>	<u>\$6,126,179</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 115,734	\$ 104,546
Capital gain distributions	241	10,124
Net realized gains	345,017	90,764
Net unrealized gains (losses)	(1,445,264)	570,173
Investment fees	(559)	(409)
Total	<u>\$ (984,831)</u>	<u>\$ 775,198</u>

NOTE 7: Endowment

The State Prudent Management of Institutional Funds Act (SPMIFA) requires the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulations to the contrary. 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

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NOTE 7: Endowment (continued)

(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, 2022 and 2021 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, 2022

Endowment net assets, beginning of year	<u>\$ 1,792,166</u>
Investment income	30,555
Net appreciation (depreciation)	<u>(307,011)</u>
Total investment return (loss)	(276,456)
Contributions to endowment	-
Amounts appropriated for expenditure	<u>(64,203)</u>
Endowment net assets, end of year	<u>\$ 1,451,507</u>

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NOTE 7: Endowment (continued)

The Organization had the following endowment related activities for the year ended December 31, 2021:

Endowment net assets, beginning of year	<u>\$ 1,580,377</u>
Investment income	30,946
Net appreciation	<u>198,037</u>
Total investment return	228,983
Contributions to endowment	50,000
Amounts appropriated for expenditure	<u>(67,194)</u>
Endowment net assets, end of year	<u>\$ 1,792,166</u>

NOTE 8: 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.

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NOTE 8: Fair Value (continued)

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, 2022 and 2021.

*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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 305,880	\$ -	\$ -	\$ 305,880
Mutual funds and ETFs	4,835,180	-	-	4,835,180
Pledges receivable	<u>-</u>	<u>-</u>	<u>88,899</u>	<u>88,899</u>
 Total	 <u>\$5,141,060</u>	 <u>\$ -</u>	 <u>\$ 88,899</u>	 <u>\$ 5,229,959</u>

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 351,124	\$ -	\$ -	\$ 351,124
Mutual funds and ETFs	5,775,055	-	-	5,775,055
Pledges receivable	<u>-</u>	<u>-</u>	<u>315,144</u>	<u>315,144</u>
 Total	 <u>\$6,126,179</u>	 <u>\$ -</u>	 <u>\$ 315,144</u>	 <u>\$ 6,441,323</u>

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NOTE 9: Pledges Receivable

Pledges receivable as of December 31, are as follows:

	2022	2021
Pledges receivable in less than one year	\$ 69,300	\$ 234,981
Pledges receivable in one to five years	21,800	85,001
Less discount to net present value	(2,201)	(4,838)
 Net pledges receivable at December 31,	 \$ 88,899	 \$ 315,144

Pledges receivable 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 2022 and 2021 was applied to determine net present value. As discussed in Note 8, 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, 2022 and 2021 the total pledged or contributed to the capital campaign was \$2,664,235. Pledges related to the capital campaign was \$88,399 and \$173,363 at December 31, 2022 and 2021, respectively.

NOTE 10: Line of Credit

The Organization has 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 (7.5% at December 31, 2022). The line of credit matures on June 28, 2026. The line is secured by marketable securities with a value of \$784,336 and \$1,739,984 at December 31, 2022 and 2021, respectively. The principal balance of the line of credit at December 31, 2022 and 2021 was \$0.

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NOTE 11: Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
With Donor Restrictions:		
Child Care Achieving Stabilization Program	\$ 49,465	\$ 53,488
Bird Museum	119,378	141,152
Kirkwood Gardens	97,269	115,986
Orton Bear Fund	83,753	119,846
Gordon's Children Center	49,574	53,249
Coyote Exhibit	28,762	34,008
Innovative Project Fund	62,612	97,682
Education Matters	317,239	326,998
AZA Accreditation	100,000	-
Scholarship Fund	52,570	55,574
Raptor Exhibit	-	18,236
Trail Camera Project	8,395	12,218
Temporary Grants	35,155	34,837
Volunteer Software	6,706	8,431
Solar Array	16,267	125,574
Bobcat Fund	55,614	63,474
Library Fund	6,018	7,115
Squam Bird Book	182	10,500
Otter Improvements	59,798	65,339
General Endowment	1,047,993	1,293,952
Gordon's Children Center Endowment	138,794	171,368
Otter Endowment	102,635	126,720
Naturalist Salaries Endowment	101,593	125,438
Barry Endowment	60,491	74,688
 Total	 <u>\$2,600,263</u>	 <u>\$3,135,873</u>

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 \$18,494 and \$13,215 during 2022 and 2021, 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.



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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.

	2022	2021
Board Designated Reserve	\$1,008,720	\$1,332,783
Facilities Maintenance Reserve	1,306,741	1,607,748
Staff Compensation Reserve	1,226,751	1,534,843
Real Estate & Equipment	5,089,436	5,153,003
 Total Board Designated Funds	 8,631,648	 9,628,377
 Operating Fund	 250,000	 250,000
 Total	 \$8,881,648	 \$9,878,377

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 \$49,208 in 2022 and \$52,484 in 2021.

NOTE 15: Government Grant Funding

During the year ended December 31, 2021 and 2020 the Organization was eligible for the Employee Retention Credit (ERC). Amended payroll tax returns have been filed and a contribution has been recorded in the amount of \$508,679 and \$98,072 for the years ended December 31, 2021 and 2020, respectively. Accounting for the ERC required a restatement of the previously issued financial statements for the year ended December 31, 2021. The laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the ERC may also be subject to retroactive audit and review. Management believes that they have met the required decrease in gross receipts and the qualifying payroll expenses to qualify for the credit.

During the year ended December 31, 2021 the Organization received \$322,328 under the second round of the Paycheck Protection Program, which was forgiven on July 8, 2021. In addition, the Organization received a Child Care Achieving Stabilization Program grant in the amount of \$76,094.

NOTE 16: Prior Period Adjustment

A prior period adjustment was made in the amount of \$98,072 to record a receivable for the filing of amended payroll tax returns for an Employee Retention Credit refund for the year ended December 31, 2020. See Note 15.

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NOTE 17: Subsequent Events

Management has evaluated subsequent events through July 15, 2023 the date the financial statements were available to be issued and no subsequent events require disclosure.