

SQUAM LAKES CONSERVATION SOCIETY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Squam Lakes Conservation Society
Holderness, New Hampshire

We have audited the accompanying financial statements of Squam Lakes Conservation Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Squam Lakes Conservation Society as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Squam Lakes Conservation Society's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

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

Rowley & Associates, PC

Rowley & Associates, P.C.
Concord, New Hampshire
July 3, 2019

SQUAM LAKES CONSERVATION SOCIETY
STATEMENTS OF FINANCIAL POSITION

December 31, 2018 with Comparative
Totals for December 31, 2017

	<u>Net Assets Without Donor Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>2018 Total</u>	<u>2017 Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 342,997	\$ 171,645	\$ 514,642	\$ 573,402
Investments	516,216	2,020,375	2,536,591	2,370,429
Pledges receivable	-	-	-	75,000
Note receivable, less than one year	7,500	-	7,500	7,500
Property held for resale	-	-	-	38,400
Prepaid expenses	5,270	-	5,270	6,416
Total Current Assets	<u>871,983</u>	<u>2,192,020</u>	<u>3,064,003</u>	<u>3,071,147</u>
PROPERTY AND EQUIPMENT				
Land	-	5,741,542	5,741,542	5,664,597
Leasehold improvements	29,573	-	29,573	29,573
Equipment	80,097	-	80,097	71,126
	<u>109,670</u>	<u>5,741,542</u>	<u>5,851,212</u>	<u>5,765,296</u>
Less accumulated depreciation	86,082	-	86,082	82,705
	<u>23,588</u>	<u>5,741,542</u>	<u>5,765,130</u>	<u>5,682,591</u>
LONG-TERM ASSETS				
Conservation easements	-	111	111	104
Other investment	60,000	-	60,000	60,000
Investments	-	1,963,511	1,963,511	2,233,574
Note receivable, long term portion	78,125	-	78,125	85,625
	<u>138,125</u>	<u>1,963,622</u>	<u>2,101,747</u>	<u>2,379,303</u>
Total Assets	<u>1,033,696</u>	<u>9,897,184</u>	<u>10,930,880</u>	<u>11,133,041</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	18,594	-	18,594	8,957
Agency Funds	21,175	-	21,175	18,463
Total Current Liabilities	<u>39,769</u>	<u>-</u>	<u>39,769</u>	<u>27,420</u>
NET ASSETS				
Without donor restriction	993,927	-	993,927	800,322
With donor restriction	-	9,897,184	9,897,184	10,305,299
	<u>993,927</u>	<u>9,897,184</u>	<u>10,891,111</u>	<u>11,105,621</u>
Total Liabilities and Net Assets	<u>\$ 1,033,696</u>	<u>\$ 9,897,184</u>	<u>\$ 10,930,880</u>	<u>\$ 11,133,041</u>

See Independent Auditors' Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018 with Comparative

Totals for Year Ended December 31, 2017

	Net Assets Without Donor Restrictions			Net Assets with Donor Restrictions						2018 Total	2017 Total
	Undesignated Operating Fund	Board Designated Fund	Subtotal	Projects	W. Barnes Easement Defense Fund	Memorial Funds	Stewardship Fund	Easements, Land & Land Improvements	Subtotal		
Revenue and gains and other support:											
Contributions, cash	\$ 234,102	\$ 55,000	\$ 289,102	\$ -	\$ 12,000	\$ 10,351	\$ 30,755	\$ -	\$ 53,106	\$ 342,208	\$ 371,074
Bequest	-	-	-	-	-	-	-	-	-	-	100,000
Merchandise sales, net	(2,646)	-	(2,646)	-	-	-	-	-	-	(2,646)	605
Total revenues, gains and other support	<u>231,456</u>	<u>55,000</u>	<u>286,456</u>	<u>-</u>	<u>12,000</u>	<u>10,351</u>	<u>30,755</u>	<u>-</u>	<u>53,106</u>	<u>339,562</u>	<u>471,679</u>
Net Asset Transfers											
Land acquired with donor restricted funds	-	-	-	(76,945)	-	-	-	76,945	-	-	-
Easements acquired with donor restricted funds	(2)	-	(2)	-	-	-	-	2	2	-	-
Net assets released from donor imposed restrictions	412,226	(12,830)	399,396	(322,225)	(8,845)	(25,139)	(43,187)	-	(399,396)	-	-
Total net asset transfers	<u>412,224</u>	<u>(12,830)</u>	<u>399,394</u>	<u>(399,170)</u>	<u>(8,845)</u>	<u>(25,139)</u>	<u>(43,187)</u>	<u>76,947</u>	<u>(399,394)</u>	<u>-</u>	<u>-</u>
Expenses:											
Program Service expenses	325,795	-	325,795	-	-	-	-	-	-	325,795	312,648
General and administration	60,215	-	60,215	-	-	-	-	-	-	60,215	45,455
Fundraising	56,113	-	56,113	-	-	-	-	-	-	56,113	55,101
Total Expenses	<u>442,123</u>	<u>-</u>	<u>442,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,123</u>	<u>413,204</u>
Operating increase (decrease) in net assets	<u>201,557</u>	<u>42,170</u>	<u>243,727</u>	<u>(399,170)</u>	<u>3,155</u>	<u>(14,788)</u>	<u>(12,432)</u>	<u>76,947</u>	<u>(346,288)</u>	<u>(102,561)</u>	<u>58,475</u>
Investment Gain (Loss)											
Interest and dividend income	-	9,635	9,635	45,248	6,826	19,020	32,945	-	104,039	113,674	81,486
Net realized gain on sale of investments	-	10,556	10,556	-	7,477	20,837	36,093	-	64,407	74,963	46,752
Unrealized gain (loss) on investments	-	(70,313)	(70,313)	29,496	(49,811)	(138,807)	(240,429)	-	(399,551)	(469,864)	420,776
Decrease in value of property held for resale	-	-	-	-	-	-	-	-	-	-	(16,850)
Total investment gain (loss)	<u>-</u>	<u>(50,122)</u>	<u>(50,122)</u>	<u>74,744</u>	<u>(35,508)</u>	<u>(98,950)</u>	<u>(171,391)</u>	<u>-</u>	<u>(231,105)</u>	<u>(281,227)</u>	<u>532,164</u>
Projects											
Projects contributions, cash	-	-	-	373,049	-	-	-	-	373,049	373,049	493,077
Projects contributions, non-cash	-	-	-	-	-	-	-	5	5	5	34,000
Projects contributions, total	-	-	-	373,049	-	-	-	5	373,054	373,054	527,077
Project (expense)	-	-	-	(203,776)	-	-	-	-	(203,776)	(203,776)	(1,081,694)
Projects net income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>169,278</u>	<u>169,278</u>	<u>(554,617)</u>
Net increase (decrease) in net assets	<u>201,557</u>	<u>(7,952)</u>	<u>193,605</u>	<u>(155,153)</u>	<u>(32,353)</u>	<u>(113,738)</u>	<u>(183,823)</u>	<u>76,952</u>	<u>(408,115)</u>	<u>(214,510)</u>	<u>36,022</u>
Net Assets, beginning of year	<u>451,683</u>	<u>348,639</u>	<u>800,322</u>	<u>2,238,324</u>	<u>273,399</u>	<u>785,485</u>	<u>1,343,390</u>	<u>5,664,701</u>	<u>10,305,299</u>	<u>11,105,621</u>	<u>11,069,599</u>
Net Assets, end of year	<u>\$ 653,240</u>	<u>\$ 340,687</u>	<u>\$ 993,927</u>	<u>\$2,083,171</u>	<u>\$ 241,046</u>	<u>\$ 671,747</u>	<u>\$ 1,159,567</u>	<u>\$ 5,741,653</u>	<u>\$ 9,897,184</u>	<u>\$10,891,111</u>	<u>\$11,105,621</u>

See Independent Auditors' Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (214,510)	\$ 36,022
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,377	5,147
Note receivable payments applied to rent	7,500	7,500
Non-cash contributions	(5)	(34,000)
Decrease in value of property held for resale	-	16,850
Realized (gain) on investments	(74,963)	(46,752)
Unrealized (gain) loss on investments	469,864	(420,776)
(Increase) decrease in operating assets:		
Pledges receivable	75,000	(25,000)
Grants receivable	-	50,000
Prepaid expenses	1,146	1,833
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	9,637	(3,653)
Agency funds	2,712	837
	<u>279,758</u>	<u>(411,992)</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land	(76,945)	(337,895)
Purchase of equipment	(8,971)	-
Purchase of easements	(2)	-
Land transferred to other organization	-	897,211
Proceeds from property held for resale	38,400	-
Proceeds from sale of investments	646,340	1,308,715
Purchase of investments	(937,340)	(1,695,498)
	<u>(338,518)</u>	<u>172,533</u>
Net cash provided (used) by investing activities		
Net (decrease) in cash and cash equivalents	(58,760)	(239,459)
Cash and cash equivalents, beginning of year	<u>573,402</u>	<u>812,861</u>
Cash and cash equivalents, end of year	<u>\$ 514,642</u>	<u>\$ 573,402</u>

See Independent Auditor's Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
NON CASH INVESTING ACTIVITIES		
Total value of land aquired	\$ 76,945	\$ 371,895
Non-cash donation, bargain sale of land	-	(34,000)
Cash paid for purchase of land	<u>\$ 76,945</u>	<u>\$ 337,895</u>
Total easements aquired	\$ 7	\$ -
Non-cash donation of easements	(5)	-
Purchase of easements	<u>2</u>	<u>-</u>
Note receivable payments applied to rent	<u>\$ 7,500</u>	<u>\$ 7,500</u>

See Independent Auditor's Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
With Comparative Totals For the Year Ended December 31, 2017

	Total Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries	\$ 214,723	\$ 21,745	\$ 43,351	\$ 279,819	\$ 262,294
Employee Benefits	23,621	1,784	3,486	28,891	27,521
Payroll Taxes	17,569	1,698	3,370	22,637	21,242
Professional Fees	17,276	-	-	17,276	17,513
Supplies	1,487	4,139	-	5,626	3,131
Telephone & Internet	1,215	411	919	2,545	3,252
Postage & Shipping	1,059	1,901	-	2,960	2,396
Occupancy (Rent)	8,664	1,074	1,212	10,950	10,950
Town Tax	1,231	-	-	1,231	917
Depreciation	3,377	-	-	3,377	5,147
Equipment Maint. & Supply	286	3,055	1,098	4,439	3,735
Filing Fees	3,766	75	-	3,841	1,764
Printing & Publications	9,187	34	1,077	10,298	10,867
Accounting	693	7,972	97	8,762	8,988
Bank fees	153	980	-	1,133	2,703
Conferences and Meetings	5,895	10,193	5	16,093	9,545
Membership Dues	2,339	152	-	2,491	1,933
Insurance	10,616	3,088	1,484	15,188	13,455
Education	-	-	-	-	4,171
Americorps expense	2,001	147	-	2,148	-
Miscellaneous	637	1,767	14	2,418	1,680
	<u>\$ 325,795</u>	<u>\$ 60,215</u>	<u>\$ 56,113</u>	<u>\$ 442,123</u>	<u>\$ 413,204</u>

See Independent Auditors' Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 1 - NATURE OF ORGANIZATION

The Squam Lakes Conservation Society (“SLCS”) is a New Hampshire-based nonprofit land preservation and conservation organization dedicated to the protection of the natural environment for the benefit of all present and future residents and visitors to the Squam Lakes Region. It achieves the long-term protection of land by seeking, holding, and monitoring conservation easements and by acquiring land. In addition SLCS communicates its objectives and regularly provides educational programs to the community. Its activities are accomplished in cooperation with state and local authorities, businesses, conservation organizations, residents, landowners and visitors. The organization is supported primarily through donor contributions and grants.

SLCS envisions a unique region of islands, shorefront, back lands and mountains, wherein a harmony between the natural environment and mankind is preserved forever.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that may be temporarily or permanently restricted. Temporarily restricted assets are released from restriction when a stipulated time restriction ends or the purpose of the restriction is accomplished.

Basis of Accounting: The financial statements of SLCS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates and assumptions

Management uses estimates and assumptions in preparing financial statements. 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. Accordingly, actual results may differ from these estimates.

Capitalization policy

Expenditures for additions, renewals and betterments of property and equipment, unless of relatively minor amount, are capitalized and recorded at cost. Maintenance and repairs are expensed as incurred. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is included in other income in the period the asset is disposed.

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land	None
Leasehold improvements	20- 39
Equipment	5 – 7

Depreciation expense was \$3,377 and \$5,174 for the years ended December 31, 2018 and 2017, respectively.

Investments

Investments are stated at fair-market value. The net realized and unrealized gains (losses) on investments are reflected in the statement of activities.

Income taxes: The Organization has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is further classified as an organization that is not a private foundation under Section 509(a)(3) of the Code. The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). The Organization follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and recognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable and allowance for bad debt

Pledges receivable are comprised of amounts due from donors. The Organization considers pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If pledges become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off are included in revenue as received.

Contributions received are recorded as increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Donations of long-lived assets

The SLCS records donations of services and materials which increase long-lived assets at their fair values and recognizes these revenues as increases in net assets.

Cash and cash equivalents

For purposes of reporting cash flows, SLCS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, excluding amounts the use of which is limited by Board designation or restriction. At December 31, 2018 and 2017 the SLCS had no cash equivalents.

Concentration of Credit Risk: The Organization maintains cash balances in several accounts at a local bank. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times throughout the year, the Organization may have cash balances at the financial institution that exceed the insured amount. Management does not believe this concentration of cash results in a high level of risk for the Organization. At December 31, 2018 and 2017 the Organization had \$88,806 and \$7,049 in uninsured cash balances, respectively.

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: The carrying value of cash and cash equivalents, pledges receivable, notes receivable, prepaid expenses, accounts payable and accrued expenses are stated at carrying cost at December 31, 2018 and 2017, which approximates fair value due to the relatively short maturity of these instruments. Other financial instruments held at year end are investments and other investments which are stated at fair value.

New Accounting Pronouncement – During the year ended December 31, 2018, the Organization implemented the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016- 14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016- 14). This 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

The accompanying summarized information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

Reclassifications - Certain financial statement and note information from the prior year financial statements has been reclassified to conform with current year presentation format.

Subsequent Event: Management has evaluated subsequent events through July 3, 2019, the date on which the financial statements were available to be issued to determine if any are of such significance to require disclosure. There were no events matching this criterion during this period.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements at fair market value. Investments at December 31 are composed of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity mutual funds	\$ 317,605	\$ 357,012	\$ 221,442	\$ 308,442
Certificates of Deposit	1,158,513	1,158,513	1,050,000	1,049,476
Marketable Equity Securities including ETF’s	1,442,226	1,634,343	1,362,680	1,843,084
Bond mutual funds	<u>1,385,831</u>	<u>1,350,234</u>	<u>1,408,700</u>	<u>1,403,001</u>
	<u>\$4,304,175</u>	<u>\$4,500,102</u>	<u>\$4,042,822</u>	<u>\$4,604,003</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 3 – INVESTMENTS (Continued)

Total investment return for these funds are provided on pages 3 and 4 of the Financial Statements from the beginning to the end of years ended December 31, 2018 and 2017, respectively.

FASB Accounting Standards Codification Topic 820-10 *Fair Value Measurements* defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurement).

Under Topic 820-10, the three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All investments are measured at Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

The Organization maintains individual and pooled investments containing both restricted and unrestricted funds. Investment income, gains, losses, and management fees of any pool are allocated to accounts based on each account's pro-rata share (on dollar and time basis) in the pool. Investments in marketable equity securities and marketable debt securities are carried at fair market value determined by "quoted market prices" per unit (share) as of the balance sheet date. All other investments are stated at cost. Donated investments are recorded at the "fair market value" as of the date of receipt. Investment interest and dividend income on restricted accounts is added to, or deducted from, the appropriate account.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2018 and 2017

NOTE 3 – INVESTMENTS (Continued)

Investment Return Objectives

Projects funds are available, with approval of a Board majority vote, to be used in acquisition of conservation land or easements. The W. Barnes Legal Defense funds are available, with approval of a Board majority vote, to be used in defending conservation land or easements. The investment committee has the authority to invest in cash or cash equivalents, marketable securities or bonds in proportions determined at their discretion. Page 4 of the financial statements provides reconciliations of these funds from the beginning to the end of years ended December 31, 2018 and 2017, respectively.

Donor Restricted Funds

SLCS maintains investments that are donor restricted for various purposes. The composition of donor restricted investments and the changes in net assets as of December 31, 2018 and 2017 are as follows:

Investments with donor restrictions, December 31, 2016	\$3,555,863
Net Contributions and withdrawals	450,343
Investment Gain	395,701
Withdrawals in accordance with spending policy	<u>(53,667)</u>
Investments with donor restrictions, December 31, 2017	<u>\$4,348,240</u>
Net Contributions and withdrawals	101,736
Investment Loss	(253,324)
Withdrawals in accordance with spending policy	<u>(77,174)</u>
Investments with donor restrictions, December 31, 2018	<u>\$4,119,478</u>

Spending Policy

The spending policy of the permanently restricted funds calls for preservation of principal with earnings available to support the organization's mission.

NOTE 4 – OTHER INVESTMENT

During the year ended December 31, 2016 the Organization was the recipient of a non-cash contribution of 20 shares of Common Stock in Rockywold-Deephaven Camp Incorporated valued at \$60,000. The value was \$60,000 as of December 31, 2018 and 2017, respectively.

NOTE 5 – AGENCY FUNDS

The Organization is acting as an Intermediary on behalf of the White Oak Pond Watershed Association (WOPWA). Funds have been contributed to the organization with donor specification that these funds be distributed to WOPWA. The organization has no variance power over the funds specifically identified as contributions to WOPWA. Funds contributed to the Organization specifically for distribution to WOPWA are recorded as a liability in the accompanying statement of financial position in accordance with FASB ASC 958-605-25. Agency fund balances were \$21,175 and \$18,463 as of December 31, 2018 and 2017, respectively.

SQUAM LAKES CONSERVATION SOCIETY**NOTES TO FINANCIAL STATEMENTS**

Years Ended December 31, 2018 and 2017

NOTE 6 – FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organization is required to disclose certain information about its financial assets and liabilities. Fair values of assets measured on a recurring basis at December 31 were as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical <u>Assets (Level 1)</u>	Significant other Observable Inputs <u>(Level 2)</u>
<u>2018</u>			
Investments	\$4,500,102	\$4,500,102	\$ -
Note receivable	85,625	-	85,625
Other investment	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$4,645,727</u>	<u>\$4,500,102</u>	<u>\$ 145,625</u>
 <u>2017</u>			
Investments	\$4,574,003	\$4,574,003	\$ -
Pledges receivable	75,000	-	75,000
Note receivable	93,125	-	93,125
Other investment	60,000	-	60,000
Property held for resale	<u>38,400</u>	<u>-</u>	<u>38,400</u>
	<u>\$4,840,528</u>	<u>\$4,574,003</u>	<u>\$ 266,525</u>

Fair values for investments were determined by reference to quoted market prices and other relevant information generated by market transactions. The fair market value of pledges and notes receivable, other investments and real property held for resale were estimated at the present value of expected future cash flows.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's primary source of support is contributions. Most of that support is held for the purpose of supporting the Organization's budget. The Organization also raises funds to complete conservation projects. This support is held for the purpose of maintaining current and future conservation properties. The Organization has the following financial assets that could readily be made available within one year to fund expenses without limitations:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$342,997	\$281,044
Investments, operating	516,216	255,763
Pledges receivable	<u>-</u>	<u>75,000</u>
	859,213	611,807
Less amount required to be held For others - Agency funds	<u>(21,175)</u>	<u>(18,463)</u>
	<u>\$838,038</u>	<u>\$593,344</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 8 – BOARD DESIGNATED NET ASSETS

Included in net assets without donor restriction are assets which have been designated by the Board of Directors for the support of the Society’s conservation activities, amounting to \$340,687 and \$130,000 at December 31, 2018 and 2017 respectively. These funds are held in cash and investments.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets subject to donor restrictions as of December 31:

	<u>2018</u>	<u>2017</u>
Donor restricted assets held in cash and investments:		
Projects	<u>\$2,083,171</u>	<u>\$2,238,324</u>
In support of operations:		
Nancy W Grady Monitoring Memorial Fund	\$ 370,846	\$ 437,080
W. Barnes Easement Defense Fund	241,046	273,399
Other Memorial Funds	188,247	214,901
Ellen F.D. Bennett Education Memorial Fund	55,588	65,876
Stewardship Fund	1,159,567	1,343,390
E.G. Barry Memorial Fund	<u>57,066</u>	<u>67,628</u>
	<u>\$2,072,360</u>	<u>\$2,402,274</u>
Total donor restricted assets held in cash and investments:	<u>\$4,155,531</u>	<u>\$4,640,598</u>
Other donor restricted assets:		
Easements	\$ 111	\$ 104
Land	<u>5,741,542</u>	<u>5,664,597</u>
	<u>\$5,741,653</u>	<u>\$5,664,701</u>
Total Net Assets with Donor Restrictions:	<u>\$9,897,184</u>	<u>\$10,305,299</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Organization holds conservation easements and holds title to properties and is committed to bringing any and all actions necessary to bring remedy.

A summary of the above is as follows:	<u>Number of Properties</u>	<u>Number of Acres</u>
Conservation easements	111	5,089
Fee Simple	24	793
Easement Reverter	5	2,750
Title Reverter	2	206
Deed Restriction and other	<u>1</u>	<u>12</u>
Total	<u>143</u>	<u>8,850</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2018 and 2017

NOTE 11 – RENTAL AGREEMENT AND NOTE RECEIVABLE

The Organization made improvements to occupancy space that it rents from Squam Lakes Association (SLA). On May 23rd, 2010 an agreement between the Organization and SLA calls for gross rents payable to SLA in monthly amounts of \$912. The agreement also references a note payable by SLA to the Organization with an original principal balance of \$150,000 with monthly payments due of \$625 for twenty years and zero percent interest.

SLA credits rents due from the Organization resulting in net rent due of \$287 per month.

Future minimum notes receivable as of December 31:

2019	\$ 7,500
2020	7,500
2021	7,500
2022	7,500
2023	7,500
Thereafter	<u>48,125</u>
	<u>\$ 85,625</u>

NOTE 12 – RETIREMENT PLAN

The Organization has a 403(b) retirement plan available to eligible employees. The Organization will match employee’s contributions up to 3% after one full year of employment, 5% after three full years, and up to 7% after five full years. Matching contributions were made to employee accounts during the years ended December 31, 2018 and 2017 amounted to \$15,876 and \$15,236 respectively.

NOTE 13– COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation depending on job classification, length of services and other factors. Employees must use their vacation time each calendar year or forfeit that time. There was no accrued vacation earned, but unpaid as of December 31, 2018 and 2017.

NOTE 14 – PROPERTY HELD FOR RESALE

During the year ended December 31, 2016 the Organization was the recipient of a non-cash contribution of an original set of J.J. Audubon’s Birds with an appraised value of \$55,250. The value of the Audubon’s Birds was decreased to the actual resale value of \$38,400 during the year ended December 31, 2017. The reduction was included in the statements of activities in 2017. The property was sold during the year ended December 31, 2018.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 15 –PROJECTS

Projects consist of land purchases or conservation easement activities.

Projects that occurred during the year ended December 31, 2018 were:

2018 Land Acquisitions

SLCS purchased a 19 acre parcel of land, called the Stanley Preserve for \$76,945.

2018 Easement Acquisitions

The Organization acquired seven easements totaling approximately 368 acres. The Organization purchased two easements for \$198,500 and five easements were donated. No appraisal was done to assign a value to these easements.

Projects that occurred during the year ended December 31, 2017 were:

2017 Land Acquisitions

SLCS acquired a 2.5 acre parcel of land by quitclaim as part of a plan to transfer the title of this parcel combined with land already belonging to SLCS comprising approximately 495 acres known as “Whitten Woods” to the New England Forestry Foundation (NEFF) in exchange for a conservation easement. The cost basis of the land transferred to NEFF was \$897,211.

SLCS acquired approximately 90 acres known as the Eastman Brook Preserve in a “bargain sale” transaction. The land was appraised for \$368,000 and the seller contributed \$34,000 and SLCS paid approximately \$334,000.

2017 Easements

No value was assigned to the donation of a conservation easement on an 75 acre parcel of land referred to as “Richards-Coolidge”.

One easement, Pederson, 82 acres, was purchased for \$42,362.

SQUAM LAKES CONSERVATION SOCIETY
SCHEDULE OF REVENUE AND EXPENSES

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues, gains and other support:		
Contributions	\$ 342,208	\$ 371,074
Bequest	-	100,000
Merchandise sales, net	(2,646)	605
Total revenues, gains and other support	<u>339,562</u>	<u>471,679</u>
Expenses:		
Salaries	\$ 279,819	\$ 262,294
Employee Benefits	28,891	27,521
Payroll Taxes	22,637	21,242
Professional Fees	17,276	17,513
Supplies	5,626	3,131
Telephone & Internet	2,545	3,252
Postage & Shipping	2,960	2,396
Occupancy (Rent)	10,950	10,950
Town Tax	1,231	917
Depreciation	3,377	5,147
Equipment Maint. & Supply	4,439	3,735
Filing Fees	3,841	1,764
Printing & Publications	10,298	10,867
Accounting	8,762	8,988
Bank fees	1,133	2,703
Conferences and Meetings	16,093	9,545
Membership Dues	2,491	1,933
Insurance	15,188	13,455
Education	-	4,171
Americorps expense	2,148	-
Miscellaneous	2,418	1,680
	<u>442,123</u>	<u>413,204</u>
Operating increase (decrease) in net assets	(102,561)	58,475
Investment Gain (Loss)		
Interest and dividend income	113,674	81,486
Net realized gain on sale of investments	74,963	46,752
Unrealized gain (loss) on investments	(469,864)	420,776
Decrease in value of property held for resale	-	(16,850)
Total investment gain (loss)	<u>(281,227)</u>	<u>532,164</u>
Projects		
Projects contributions, cash	373,049	493,077
Projects contributions, non-cash	5	34,000
Projects contributions, total	<u>373,054</u>	<u>527,077</u>
Project (expense)	(203,776)	(1,081,694)
Projects net income (loss)	<u>169,278</u>	<u>(554,617)</u>
Increase (decrease) in net assets	(214,510)	36,022
Net assets, beginning of year	<u>11,105,621</u>	<u>11,069,599</u>
Net assets, end of year	<u>\$ 10,891,111</u>	<u>\$ 11,105,621</u>

See Independent Auditors' Report on Supplementary Information and Notes to Financial Statements