

SQUAM LAKES CONSERVATION SOCIETY

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019 and 2018

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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, 2019 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, 2019 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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*

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Rowley & Associates, P.C.  
Concord, New Hampshire  
September 22, 2020

**SQUAM LAKES CONSERVATION SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**

December 31, 2019 with Comparative

Totals for December 31, 2018

<b>ASSETS</b>	<b>Net Assets Without Donor Restriction</b>	<b>Net Assets With Donor Restriction</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 303,399	\$ 41,164	\$ 344,563	\$ 514,642
Investments	799,214	3,162,708	3,961,922	3,144,408
Note receivable, less than one year	7,500	-	7,500	7,500
Prepaid expenses	1,056	-	1,056	5,270
Total Current Assets	<u>1,111,169</u>	<u>3,203,872</u>	<u>4,315,041</u>	<u>3,671,820</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	-	5,877,642	5,877,642	5,741,542
Leasehold improvements	29,573	-	29,573	29,573
Equipment	80,097	-	80,097	80,097
	<u>109,670</u>	<u>5,877,642</u>	<u>5,987,312</u>	<u>5,851,212</u>
Less accumulated depreciation	89,428	-	89,428	86,082
	<u>20,242</u>	<u>5,877,642</u>	<u>5,897,884</u>	<u>5,765,130</u>
<b>LONG-TERM ASSETS</b>				
Conservation easements	-	116	116	111
Other investment	60,000	-	60,000	60,000
Investments, Endowment	-	1,671,732	1,671,732	1,355,694
Note receivable, long term portion	70,625	-	70,625	78,125
	<u>130,625</u>	<u>1,671,848</u>	<u>1,802,473</u>	<u>1,493,930</u>
Total Assets	<u><u>1,262,036</u></u>	<u><u>10,753,362</u></u>	<u><u>12,015,398</u></u>	<u><u>10,930,880</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	5,236	-	5,236	18,594
Agency Funds	63,822	-	63,822	21,175
Total Current Liabilities	<u>69,058</u>	<u>-</u>	<u>69,058</u>	<u>39,769</u>
<b>NET ASSETS</b>				
Without donor restriction	1,192,978	-	1,192,978	993,927
With donor restriction	-	10,753,362	10,753,362	9,897,184
	<u>1,192,978</u>	<u>10,753,362</u>	<u>11,946,340</u>	<u>10,891,111</u>
Total Liabilities and Net Assets	<u><u>\$ 1,262,036</u></u>	<u><u>\$ 10,753,362</u></u>	<u><u>\$ 12,015,398</u></u>	<u><u>\$ 10,930,880</u></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, 2019 with Comparative

Totals for Year Ended December 31, 2018

	Net Assets Without Donor Restrictions			Net Assets with Donor Restrictions						2019 Total	2018 Total
	Undesignated Operating Fund	Board Designated Fund s	Subtotal	Projects	Barnes Legal Defense Fund	Dedicated Memorial Funds	Stewardship & Endowment Funds	Easements, Land & Land Improvements	Subtotal		
Revenue and gains and other support:											
Contributions, cash	\$ 386,229	\$ 5,320	\$ 391,549	\$ -	\$ 4,000	\$ 3,885	\$ 103,126	\$ -	\$ 111,011	\$ 502,560	\$ 342,208
Interest income	1,186	-	1,186	-	-	-	-	-	-	1,186	-
Merchandise sales, net expense of \$8,704 and \$5,498	(1,905)	-	(1,905)	-	-	-	-	-	-	(1,905)	(2,646)
Total revenues, gains and other support	<u>385,510</u>	<u>5,320</u>	<u>390,830</u>	<u>-</u>	<u>4,000</u>	<u>3,885</u>	<u>103,126</u>	<u>-</u>	<u>111,011</u>	<u>501,841</u>	<u>339,562</u>
Net Asset Transfers											
Land acquired with donor restricted funds	(102,100)	-	(102,100)	-	-	-	-	102,100	102,100	-	-
Easements acquired with donor restricted funds	(1)	-	(1)	-	-	-	-	1	1	-	-
Net assets transferred	(341,325)	379,200	37,875	-	22,744	(548,178)	487,559	-	(37,875)	-	-
Net assets released from donor imposed restrictions	190,803	(15,788)	175,015	(90,803)	(9,596)	(11,866)	(62,750)	-	(175,015)	-	-
Total net asset transfers	<u>(252,623)</u>	<u>363,412</u>	<u>110,789</u>	<u>(90,803)</u>	<u>13,148</u>	<u>(560,044)</u>	<u>424,809</u>	<u>102,101</u>	<u>(110,789)</u>	<u>-</u>	<u>-</u>
Expenses:											
Program Service expenses	289,437	-	289,437	-	-	-	-	-	-	289,437	325,795
General and administration	82,252	-	82,252	-	-	-	-	-	-	82,252	60,215
Fundraising	52,844	-	52,844	-	-	-	-	-	-	52,844	56,113
Total Expenses	<u>424,533</u>	<u>-</u>	<u>424,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,533</u>	<u>442,123</u>
Operating increase (decrease) in net assets	<u>(291,646)</u>	<u>368,732</u>	<u>77,086</u>	<u>(90,803)</u>	<u>17,148</u>	<u>(556,159)</u>	<u>527,935</u>	<u>102,101</u>	<u>222</u>	<u>77,308</u>	<u>(102,561)</u>
Investment Gain (Loss)											
Dividend income	24	19,197	19,221	51,790	7,553	3,497	48,729	-	111,569	130,790	113,674
Net realized gain on sale of investments	-	28,909	28,909	-	11,374	5,266	73,378	-	90,018	118,927	74,963
Unrealized gain (loss) on investments	(24)	73,859	73,835	24,843	29,061	13,454	187,478	-	254,836	328,671	(469,864)
Total investment gain (loss)	<u>-</u>	<u>121,965</u>	<u>121,965</u>	<u>76,633</u>	<u>47,988</u>	<u>22,217</u>	<u>309,585</u>	<u>-</u>	<u>456,423</u>	<u>578,388</u>	<u>(281,227)</u>
Projects											
Projects contributions, cash	-	-	-	393,446	-	-	-	-	393,446	393,446	373,049
Projects contributions, non-cash	-	-	-	-	-	-	-	34,004	34,004	34,004	5
Projects contributions, total	-	-	-	393,446	-	-	-	34,004	427,450	427,450	373,054
Project (expense)	-	-	-	(27,917)	-	-	-	-	(27,917)	(27,917)	(203,776)
Projects net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,004</u>	<u>399,533</u>	<u>399,533</u>	<u>169,278</u>
Net increase (decrease) in net assets	<u>(291,646)</u>	<u>490,697</u>	<u>199,051</u>	<u>351,359</u>	<u>65,136</u>	<u>(533,942)</u>	<u>837,520</u>	<u>136,105</u>	<u>856,178</u>	<u>1,055,229</u>	<u>(214,510)</u>
Net Assets, beginning 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>
Net Assets, end of year	<u>\$ 361,594</u>	<u>\$ 831,384</u>	<u>\$ 1,192,978</u>	<u>\$ 2,434,530</u>	<u>\$ 306,182</u>	<u>\$ 137,805</u>	<u>\$ 1,997,087</u>	<u>\$ 5,877,758</u>	<u>\$ 10,753,362</u>	<u>\$ 11,946,340</u>	<u>\$ 10,891,111</u>

See Independent Auditors' Report and Notes to Financial Statements

**SQUAM LAKES CONSERVATION SOCIETY**  
**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 1,055,229	\$ (214,510)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,346	3,377
Note receivable payments applied to rent	7,500	7,500
Non-cash contributions of land and easements	(34,004)	(5)
Decrease in value of property held for resale	-	-
Realized (gain) on investments	(118,927)	(74,963)
Unrealized (gain) loss on investments	(328,671)	469,864
(Increase) decrease in operating assets:		
Pledges receivable	-	75,000
Prepaid expenses	4,214	1,146
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(13,358)	9,637
Agency funds	42,647	2,712
	<u>617,976</u>	<u>279,758</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of land	(102,100)	(76,945)
Purchase of equipment	-	(8,971)
Purchase of easements	(1)	(2)
Proceeds from property held for resale	-	38,400
Proceeds from sale of investments	423,551	646,340
Purchase of investments	(1,109,505)	(937,340)
	<u>(788,055)</u>	<u>(338,518)</u>
Net cash (used) by investing activities		
Net (decrease) in cash and cash equivalents	(170,079)	(58,760)
Cash and cash equivalents, beginning of year	<u>514,642</u>	<u>573,402</u>
Cash and cash equivalents, end of year	<u>\$ 344,563</u>	<u>\$ 514,642</u>

See Independent Auditor's Report and Notes to Financial Statements

**SQUAM LAKES CONSERVATION SOCIETY**  
**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
NON CASH INVESTING ACTIVITIES		
Total value of land aquired	\$ 136,100	\$ 76,945
Non-cash donation of land	(34,000)	-
Cash paid for purchase of land	<u>\$ 102,100</u>	<u>\$ 76,945</u>
Total easements aquired	\$ 5	\$ 7
Non-cash donation of easements	(4)	(5)
Purchase of easements	<u>1</u>	<u>2</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, 2019**  
**With Comparative Totals For the Year Ended December 31, 2018**

	Total Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries	\$ 204,850	\$ 21,681	\$ 42,643	\$ 269,174	\$ 279,819
Employee Benefits	23,446	2,584	3,240	29,270	28,891
Payroll Taxes	16,465	1,682	3,301	21,448	22,637
Professional Fees	6,772	10,082	-	16,854	17,276
Supplies	1,287	8,981	-	10,268	5,626
Telephone & Internet	-	1,633	385	2,018	2,545
Postage & Shipping	653	2,003	-	2,656	2,960
Occupancy (Rent)	8,664	1,074	1,212	10,950	10,950
Town Tax	-	847	-	847	1,231
Depreciation	3,346	-	-	3,346	3,377
Equipment Maint. & Supply	1,371	4,541	366	6,278	4,439
Filing Fees	793	228	-	1,021	3,841
Printing & Publications	2,257	8,577	388	11,222	10,298
Accounting	-	9,899	-	9,899	8,762
Bank fees	142	1,589	-	1,731	1,133
Conferences and Meetings	3,255	2,916	-	6,171	16,093
Membership Dues	2,918	40	-	2,958	2,491
Insurance	10,234	2,654	1,309	14,197	15,188
Americorps expense	2,000	1,000	-	3,000	2,148
Miscellaneous	984	241	-	1,225	2,418
	<u>\$ 289,437</u>	<u>\$ 82,252</u>	<u>\$ 52,844</u>	<u>\$ 424,533</u>	<u>\$ 442,123</u>

See Independent Auditors' Report and Notes to Financial Statements

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

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.

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.

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional and Cost 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 and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates that are based on their relationship to those activities. Those expenses include payroll and payroll related expenses and occupancy costs. Occupancy costs are allocated based on square footage. Payroll and payroll related expenses are based on estimates of time and effort. Other cost allocations are based on the relationship between the expenditure and the activities benefited.

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 \$3,346 and \$3,377 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018 the Organization had \$54,126 and \$88,806 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, 2018, from which the summarized information was derived.

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

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, 2019 and 2018, 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.

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 September 22, 2020, 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 AND INVESTMENTS, ENDOWMENT

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stock equities	\$ 330,785	\$ 411,210	\$ 317,604	\$ 357,012
US Government bonds	1,621,764	1,621,764	1,158,513	1,158,513
Marketable equity securities				
including ETF’s	1,570,328	2,009,198	1,442,226	1,634,344
Corporate bonds	1,585,735	1,591,481	1,385,831	1,350,234
Money Market	28,578	28,578	51,733	51,733
Cash	<u>3,638</u>	<u>3,638</u>	<u>124,103</u>	<u>124,103</u>
Subtotal	5,140,828	5,665,869	4,480,010	4,675,939
Less amounts included				
in cash	<u>(32,215)</u>	<u>(32,215)</u>	<u>(175,837)</u>	<u>(175,837)</u>
Total investments	<u>\$5,108,613</u>	<u>\$5,633,654</u>	<u>\$4,304,173</u>	<u>\$4,500,102</u>

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

NOTE 3 – INVESTMENTS AND INVESTMENTS, ENDOWMENT (Continued)

Total investment return for these funds are provided on page 4 of the Financial Statements from the beginning to the end of years ended December 31, 2019 and 2018, 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 of 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.

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, 2019 and 2018, respectively.

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

NOTE 3 – INVESTMENTS AND INVESTMENTS, ENDOWMENT (Continued)

Investments

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, 2019 and 2018 are as follows:

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Balance December 31, 2017	\$ 255,763	\$ 4,348,240	\$ 4,604,003
Net contributions (withdrawals)	301,186	(33,856)	267,330
Net investment gain	(27,903)	(253,324)	(281,227)
Withdrawals in accordance with spending policy	(12,830)	(77,174)	(90,004)
Balance December 31, 2018	<u>516,216</u>	<u>3,983,886</u>	<u>4,500,102</u>
Net contributions (withdrawals)	176,821	569,146	745,967
Net investment gain	121,965	456,423	578,388
Withdrawals in accordance with spending policy	(15,788)	(175,015)	(190,803)
Balance December 31, 2019	<u>\$ 799,214</u>	<u>\$ 4,834,440</u>	<u>\$ 5,633,654</u>

Spending Policy

The spending policy of the dedicated funds allows for a fraction of the funds to be released from restriction on an annual basis. At the end of each year, the quarterly value of the invested dedicated funds for the past 12 quarters is computed. The average of those 12 quarters is the basis for calculating the 4% “release from restriction,” which is added to the Board Fund and is available for the general operating expenses as part of the annual operating budget as approved by the Board of Directors.

Investments, Endowment

The Investments, Endowment consist of four funds that were restricted in perpetuity by donors (Note 9). The activity in the Investments, Endowment for the year ended December 31, 2019 was:

Balance at December 31, 2018	\$ 1,355,694
Contributions	100,775
Net investment gain	269,885
Withdrawals in accordance with spending policy	<u>(54,622)</u>
Balance at December 31, 2019	<u>\$ 1,671,732</u>

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

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. Based on recent share transfer records, estimated market value was \$60,000 as of December 31, 2019 and 2018, respectively.

NOTE 5 – AGENCY FUNDS

The Organization is acting as an Intermediary on behalf of the White Oak Pond Watershed Association (WOPWA) and Betsy’s Park. Funds have been contributed to the organization with donor specification that these funds be distributed to WOPWA and Betsy’s Park. The Organization has no variance power over the funds specifically identified as contributions to these organizations. Funds contributed to Squam Lakes Conservation Society specifically for distribution to WOPWA and Betsy’s Park are recorded as a liability in the accompanying statement of financial position in accordance with FASB ASC 958-605-25. Agency fund balances as of December 31, were:

	<u>2019</u>	<u>2018</u>
WOPWA	\$ 22,658	\$ 21,175
Betsy’s Park	<u>41,164</u>	<u>-</u>
	<u>\$ 63,822</u>	<u>\$ 21,175</u>

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 Assets (Level 1)	Significant other Observable Inputs (Level 2)
<u>2019</u>			
Investments	\$5,633,654	\$5,633,654	\$ -
Note receivable	78,125	-	78,125
Other investment	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$5,771,779</u>	<u>\$5,633,654</u>	<u>\$ 138,125</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>

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.



**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

**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 which are held for the purpose of acquiring 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$303,399	\$342,997
Investments, operating	<u>799,214</u>	<u>516,216</u>
	1,102,603	611,807
Less amount required to be held		
For others - Agency funds	<u>(63,822)</u>	<u>(21,175)</u>
	<u>\$1,038,791</u>	<u>\$838,038</u>

**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 \$831,384 and \$340,687 at December 31, 2019 and 2018 respectively. These funds are held in cash and investments.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

	<u>2019</u>	<u>2018</u>
Net assets subject to expenditure for specific purpose		
Memorial Fund	\$ -	\$ 188,247
Bennett Education Fund	67,998	55,588
Barnes Legal Defense	306,182	241,046
Stewardship Fund	395,162	210,399
Agency Funds	63,822	21,386
Land & Easement Projects	<u>2,370,708</u>	<u>2,083,171</u>
SUBTOTAL	3,203,872	2,799,837
Net assets subject to restriction in perpetuity		
Investments, Endowment		
Grady Land Monitoring Fund	453,666	370,846
Stewardship Endowment Fund	403,423	306,438
SLCS Endowment Fund	744,836	621,344
EG Barry Memorial Fund	<u>69,807</u>	<u>57,066</u>
Total Investments, Endowment	1,671,732	1,355,694
Conservation Land	5,877,642	5,741,542
Conservation Easements	<u>116</u>	<u>111</u>
SUBTOTAL	7,549,490	7,097,347
Total net assets subject to donor restriction	<u>\$10,753,362</u>	<u>\$ 9,897,184</u>

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

**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:	Number of	
	<u>Properties</u>	<u>Number of Acres</u>
Conservation easements	116	5,169
Fee Simple	27	843
Easement Reverter	5	2,750
Title Reverter	2	206
Deed Restriction and other	<u>1</u>	<u>12</u>
Total	<u>151</u>	<u>8,980</u>

**NOTE 11 – RENTAL AGREEMENT AND NOTE RECEIVABLE**

The Organization made improvements to occupancy space that it rents from Squam Lakes Association (SLA). On May 23<sup>rd</sup>, 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:

2020	\$ 7,500
2021	7,500
2022	7,500
2023	7,500
2024	7,500
Thereafter	<u>40,625</u>
	<u>\$ 78,125</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, 2019 and 2018 amounted to \$14,915 and \$15,876 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, 2019 and 2018.

**SQUAM LAKES CONSERVATION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended December 31, 2019 and 2018

NOTE 14 –PROJECTS

Projects consist of land purchases or conservation easement activities.

Projects that occurred during the year ended December 31, 2019 were:

2019 Land Acquisitions

SLCS purchased two parcels of land:	
Ridgely Preserve, 14 acres	\$101,100
Rangeway West Range, 6 acres	<u>1,000</u>
	102,100
SLCS also received a land parcel through donation:	
Pulsifer West Range, 30 acres	<u>34,000</u>
Total Land acquisition	<u>\$136,100</u>

2019 Easement Acquisitions

SLCS purchased a 12-acre easement for \$24,801. SLCS also received four easements that were donated. No appraisal was done to assign a value to these easements.

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.

**SQUAM LAKES CONSERVATION SOCIETY****SCHEDULE OF REVENUE AND EXPENSES**

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues, gains and other support:		
Contributions	\$ 502,560	\$ 342,208
Interest income	1,186	-
Merchandise sales, net expense of \$8,704 and \$5,498	<u>(1,905)</u>	<u>(2,646)</u>
Total revenues, gains and other support	<u>501,841</u>	<u>339,562</u>
Expenses:		
Salaries	\$ 269,174	\$ 279,819
Employee Benefits	29,270	28,891
Payroll Taxes	21,448	22,637
Professional Fees	16,854	17,276
Supplies	10,268	5,626
Telephone & Internet	2,018	2,545
Postage & Shipping	2,656	2,960
Occupancy (Rent)	10,950	10,950
Town Tax	847	1,231
Depreciation	3,346	3,377
Equipment Maint. & Supply	6,278	4,439
Filing Fees	1,021	3,841
Printing & Publications	11,222	10,298
Accounting	9,899	8,762
Bank fees	1,731	1,133
Conferences and Meetings	6,171	16,093
Membership Dues	2,958	2,491
Insurance	14,197	15,188
Americorps expense	3,000	2,148
Miscellaneous	1,225	2,418
	<u>424,533</u>	<u>442,123</u>
Operating increase (decrease) in net assets	77,308	(102,561)
Investment Gain (Loss)		
Dividend income	130,790	113,674
Net realized gain on sale of investments	118,927	74,963
Unrealized gain (loss) on investments	328,671	(469,864)
Total investment gain (loss)	<u>578,388</u>	<u>(281,227)</u>
Projects		
Projects contributions, cash	393,446	373,049
Projects contributions, non-cash	34,004	5
Projects contributions, total	<u>427,450</u>	<u>373,054</u>
Project (expense)	<u>(27,917)</u>	<u>(203,776)</u>
Projects net income	<u>399,533</u>	<u>169,278</u>
Increase (decrease) in net assets	1,055,229	(214,510)
Net assets, beginning of year	<u>10,891,111</u>	<u>11,105,621</u>
Net assets, end of year	<u>\$ 11,946,340</u>	<u>\$ 10,891,111</u>

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