

SQUAM LAKES CONSERVATION SOCIETY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 and 2019

DRAFT

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2020 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.

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, 2020 and the statements of activities and changes in its net assets, cash flows and functional expenses for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Squam Lakes Conservation Society 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 these 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.

Auditors' 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 auditors' 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 aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

Exercise professional judgement 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 Squam Lakes Conservation Society'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Squam Lakes Conservation Society'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.

Report on Summarized Comparative Information

We have previously audited Squam Lakes Conservation Society's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DRAFT

Rowley & Associates, P.C.

Concord, New Hampshire

June 1, 2021

SQUAM LAKES CONSERVATION SOCIETY
STATEMENTS OF FINANCIAL POSITION

December 31, 2020 with Comparative

Totals for December 31, 2019

ASSETS	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	2020 Total	2019 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 255,488	\$ -	\$ 255,488	\$ 344,563
Investments	998,549	3,165,974	4,164,523	3,961,922
Note receivable, less than one year	7,500	-	7,500	7,500
Deposit on land	-	10,000	10,000	-
Prepaid expenses	9,830	-	9,830	1,056
Total Current Assets	<u>1,271,367</u>	<u>3,175,974</u>	<u>4,447,341</u>	<u>4,315,041</u>
PROPERTY AND EQUIPMENT				
Land	-	6,270,769	6,270,769	5,877,642
Leasehold improvements	29,573	-	29,573	29,573
Equipment	80,097	-	80,097	80,097
	<u>109,670</u>	<u>6,270,769</u>	<u>6,380,439</u>	<u>5,987,312</u>
Less accumulated depreciation	92,466	-	92,466	89,428
	<u>17,204</u>	<u>6,270,769</u>	<u>6,287,973</u>	<u>5,897,884</u>
LONG-TERM ASSETS				
Conservation easements	-	120	120	116
Other investment	60,000	-	60,000	60,000
Investments, Endowment	-	1,934,195	1,934,195	1,671,732
Note receivable, long term portion	63,125	-	63,125	70,625
	<u>123,125</u>	<u>1,934,315</u>	<u>2,057,440</u>	<u>1,802,473</u>
Total Assets	<u>1,411,696</u>	<u>11,381,058</u>	<u>12,792,754</u>	<u>12,015,398</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	11,038	-	11,038	5,236
Agency Funds	23,763	-	23,763	63,822
Total Current Liabilities	<u>34,801</u>	<u>-</u>	<u>34,801</u>	<u>69,058</u>
NET ASSETS				
Without donor restriction	1,376,895	-	1,376,895	1,192,978
With donor restriction	-	11,381,058	11,381,058	10,753,362
	<u>1,376,895</u>	<u>11,381,058</u>	<u>12,757,953</u>	<u>11,946,340</u>
Total Liabilities and Net Assets	<u>\$ 1,411,696</u>	<u>\$ 11,381,058</u>	<u>\$ 12,792,754</u>	<u>\$ 12,015,398</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, 2020 with Comparative

Totals for Year Ended December 31, 2019

	<u>Net Assets Without Donor Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue and gains and other support:				
Contributions, cash	\$ 389,328	\$ 160,752	\$ 550,080	\$ 502,560
Interest income	814	-	814	1,186
Merchandise sales, net expense of \$0 and \$8,074	291	-	291	(1,905)
Total revenues, gains and other support	<u>390,433</u>	<u>160,752</u>	<u>551,185</u>	<u>501,841</u>
Net Asset Transfers				
Land acquired with donor restricted funds	(393,127)	393,127	-	-
Easements acquired with donor restricted funds	(4)	4	-	-
Net assets released from donor imposed restrictions	606,857	(606,857)	-	-
Total net asset transfers	<u>213,726</u>	<u>(213,726)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program Service expenses	314,391	-	314,391	289,437
General and administration	104,408	-	104,408	82,252
Fundraising	59,542	-	59,542	52,844
Total Expenses	<u>478,341</u>	<u>-</u>	<u>478,341</u>	<u>424,533</u>
Operating increase (decrease) in net assets	<u>125,818</u>	<u>(52,974)</u>	<u>72,844</u>	<u>77,308</u>
Investment Gain				
Dividend income	15,609	79,742	95,351	130,790
Net realized gain on sale of investments	16,488	84,231	100,719	118,927
Unrealized gain on investments	26,002	132,838	158,840	328,671
Total investment gain	<u>58,099</u>	<u>296,811</u>	<u>354,910</u>	<u>578,388</u>
Projects				
Projects contributions, cash	-	446,151	446,151	393,446
Projects contributions, non-cash	-	-	-	34,004
Projects contributions, total	<u>-</u>	<u>446,151</u>	<u>446,151</u>	<u>427,450</u>
Project (expense)	-	(62,292)	(62,292)	(27,917)
Projects net income	<u>-</u>	<u>383,859</u>	<u>383,859</u>	<u>399,533</u>
Net increase in net assets	183,917	627,696	811,613	1,055,229
Net Assets, beginning of year	<u>1,192,978</u>	<u>10,753,362</u>	<u>11,946,340</u>	<u>10,891,111</u>
Net Assets, end of year	<u>\$ 1,376,895</u>	<u>\$ 11,381,058</u>	<u>\$ 12,757,953</u>	<u>\$ 11,946,340</u>

See Independent Auditors' Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 811,613	\$ 1,055,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,038	3,346
Note receivable payments applied to rent	7,500	7,500
Non-cash contributions of land and easements	(3)	(34,004)
Decrease in value of property held for resale	-	-
Realized (gain) on investments	(100,719)	(118,927)
Unrealized (gain) on investments	(158,840)	(328,671)
(Increase) decrease in operating assets:		
Deposit on land	(10,000)	-
Prepaid expenses	(8,774)	4,214
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,802	(13,358)
Agency funds	(40,059)	42,647
	<u>509,558</u>	<u>617,976</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land	(393,127)	(102,100)
Purchase of easements	(1)	(1)
Proceeds from sale of investments	492,147	423,551
Purchase of investments	(697,652)	(1,109,505)
	<u>(598,633)</u>	<u>(788,055)</u>
Net cash (used) by investing activities		
Net (decrease) in cash and cash equivalents	(89,075)	(170,079)
Cash and cash equivalents, beginning of year	<u>344,563</u>	<u>514,642</u>
Cash and cash equivalents, end of year	<u>\$ 255,488</u>	<u>\$ 344,563</u>

See Independent Auditor's Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
NON CASH INVESTING ACTIVITIES		
Total value of land aquired	\$ 393,127	\$ 136,100
Non-cash donation of land	-	(34,000)
Cash paid for purchase of land	<u>\$ 393,127</u>	<u>\$ 102,100</u>
Total easements aquired	\$ 4	\$ 5
Non-cash donation of easements	(3)	(4)
Purchase of easements	<u>1</u>	<u>1</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, 2020
With Comparative Totals For the Year Ended December 31, 2019

	Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries	\$ 219,480	\$ 37,258	\$ 50,965	\$ 307,703	\$ 269,174
Employee Benefits	15,920	2,946	3,457	22,323	29,270
Payroll Taxes	17,242	2,908	3,908	24,058	21,448
Professional Fees	37,971	68	-	38,039	16,854
Supplies	2,544	5,790	-	8,334	10,268
Communications	-	2,579	-	2,579	2,018
Postage & Shipping	370	2,589	-	2,959	2,656
Occupancy (Rent)	8,664	1,074	1,212	10,950	10,950
Town Tax	-	6,051	-	6,051	847
Depreciation	3,038	-	-	3,038	3,346
Equipment Maint. & Supply	-	3,746	-	3,746	6,278
Filing Fees	50	50	-	100	1,021
Printing & Publications	877	10,035	-	10,912	11,222
Accounting	-	10,416	-	10,416	9,899
Bank fees	228	1,734	-	1,962	1,731
Conferences and Meetings	1,102	1,355	-	2,457	6,171
Membership Dues	2,600	32	-	2,632	2,958
Insurance	1,554	15,760	-	17,314	14,197
Americorps expense	2,400	-	-	2,400	3,000
Miscellaneous	351	17	-	368	1,225
	<u>\$ 314,391</u>	<u>\$ 104,408</u>	<u>\$ 59,542</u>	<u>\$ 478,341</u>	<u>\$ 424,533</u>

See Independent Auditors' Report and Notes to Financial Statements

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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 people 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, 2020 and 2019

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 \$3,038 and \$3,346 for the years ended December 31, 2020 and 2019, 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 as well as 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, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019 the Organization had \$0 and \$54,126 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, 2019, from which the summarized information was derived.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: The carrying value of cash and cash equivalents, pledges receivable, notes receivable, deposits on land, prepaid expenses, accounts payable and accrued expenses are stated at carrying cost at December 31, 2020 and 2019, 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 June 1, 2021, 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>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stock equities	\$ 273,069	\$ 377,016	\$ 330,785	\$ 411,210
US Government bonds	1,212,938	1,212,938	1,621,764	1,621,764
Marketable equity securities	1,889,172	2,395,119	1,570,328	2,009,198
Corporate bonds	1,973,078	1,998,343	1,585,735	1,591,481
Money Market	105,342	105,342	28,578	28,578
Cash	<u>9,960</u>	<u>9,960</u>	<u>3,638</u>	<u>3,638</u>
Subtotal	5,463,559	6,098,718	5,140,828	5,665,869
Less amounts included in cash	<u>-</u>	<u>-</u>	<u>(32,215)</u>	<u>(32,215)</u>
Total investments and investments, endowment	<u>\$5,463,559</u>	<u>\$6,098,718</u>	<u>\$5,108,613</u>	<u>\$5,633,654</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 3 – INVESTMENTS AND INVESTMENTS, ENDOWMENT (Continued)

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.

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.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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, 2020 and 2019 are as follows:

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Balance December 31, 2018	\$ 516,216	\$ 3,983,886	\$ 4,500,102
Net contributions (withdrawals)	(20,159)	766,127	745,968
Net investment gain	84,582	493,806	578,388
Withdrawals in accordance with spending policy	<u>(15,788)</u>	<u>(175,016)</u>	<u>(190,804)</u>
Balance December 31, 2019	<u>564,851</u>	<u>5,068,803</u>	<u>5,633,654</u>
Net contributions (withdrawals)	394,919	(184,131)	210,788
Net investment gain	58,099	296,811	354,910
Withdrawals in accordance with spending policy	<u>(19,320)</u>	<u>(81,314)</u>	<u>(100,634)</u>
Balance December 31, 2020	<u>\$ 998,549</u>	<u>\$ 5,100,169</u>	<u>\$ 6,098,718</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 five funds that were restricted in perpetuity by donors. The activity in the Investments, Endowment for the year ended December 31 was:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 1,671,732	\$ 1,355,694
Contributions	156,732	100,775
Net investment gain	161,732	269,885
Withdrawals in accordance with spending policy	<u>(56,001)</u>	<u>(54,622)</u>
Balance at end of year	<u>\$ 1,934,195</u>	<u>\$ 1,671,732</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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 the most recent share transfer records, estimated market value was \$60,000 as of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
WOPWA	\$ 23,763	\$ 22,658
Betsy’s Park	<u>-</u>	<u>41,164</u>
	<u>\$ 23,763</u>	<u>\$ 63,822</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>2020</u>			
Investments	\$6,098,718	\$6,098,718	\$ -
Note receivable	70,625	-	70,625
Other investment	<u>60,000</u>	<u>-</u>	<u>60,000</u>
	<u>\$6,229,343</u>	<u>\$6,098,718</u>	<u>\$ 130,625</u>
 <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>

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 and other investments were estimated at the present value of expected future cash flows.

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 7 – 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	120	5,279
Fee Simple	22	938
Easement Reverter	5	2,750
Title Reverter	2	206
Deed Restriction and other	<u>1</u>	<u>12</u>
Total	<u>150</u>	<u>9,185</u>

NOTE 8 - 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 255,488	\$ 303,399
Investments, operating	<u>998,549</u>	<u>799,214</u>
	1,254,037	1,102,603
Less amount required to be held		
For others - Agency funds	<u>(23,763)</u>	<u>(63,822)</u>
	<u>\$1,230,274</u>	<u>\$1,038,791</u>

NOTE 9 – 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. These funds are held in investments and amounted to the following as of December 31:

	<u>2020</u>	<u>2019</u>
Stewardship fund	\$371,830	\$ -
Memorial funds	250,369	234,363
Board operations fund	<u>376,304</u>	<u>597,021</u>
	<u>\$998,503</u>	<u>\$831,384</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

	<u>2020</u>	<u>2019</u>
Net assets subject to expenditure for specific purpose		
Bennett Education Fund	\$ 71,363	\$ 67,998
Barnes Legal Defense	326,095	306,182
Stewardship Fund	418,553	395,162
Deposit on land	10,000	-
Agency Funds	23,763	63,822
Land & Easement Projects	<u>2,326,200</u>	<u>2,370,708</u>
SUBTOTAL	3,175,974	3,203,872
Net assets subject to restriction in perpetuity		
Investments, Endowment		
Grady Land Monitoring Fund	476,393	453,666
Coolidge Stewardship Fund	64,721	25,590
Stewardship Endowment Fund	418,131	377,833
SLCS Endowment Fund	889,990	744,836
EG Barry Memorial Fund	<u>84,960</u>	<u>69,807</u>
Total Investments, Endowment	1,934,195	1,671,732
Conservation Land	6,270,769	5,877,642
Conservation Easements	<u>120</u>	<u>116</u>
SUBTOTAL	8,205,084	7,549,490
Total net assets subject to donor restriction	<u>\$11,381,058</u>	<u>\$ 10,753,362</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 23rd, 2010 an agreement between the Organization and SLA calls for gross rent 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:

2021	\$ 7,500
2022	7,500
2023	7,500
2024	7,500
2025	7,500
Thereafter	<u>33,125</u>
	<u>\$ 70,625</u>

SQUAM LAKES CONSERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2020 and 2019

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, 2020 and 2019 amounted to \$15,382 and \$14,915, 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, 2020 and 2019.

NOTE 14 –PROJECTS

Projects consist of land purchases or conservation easement activities. Projects that occurred during the years ended December 31, 2020 and 2019 were:

2020 Land Acquisitions

SLCS purchased two parcels of land:	
Tompkins Preserve, 82 acres	\$181,600
Michaels Preserve, 13 acres	<u>211,527</u>
Total land acquisition	<u>\$393,127</u>

2020 Easement Acquisitions

SLCS purchased a 79-acre easement for \$50,000. SLCS also received three easements through donation, totaling 33 acres. No appraisal was done to assign a value to these easements.

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.

NOTE 15 – RISKS AND UNCERTAINTIES: COVID-19

As a result of the spread of the Covid-19 coronavirus, economic uncertainties have arisen which may negatively impact future financial performance. The potential impact of these uncertainties is unknown and cannot be estimated at the present time.