

SQUAM LAKES ASSOCIATION

FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets, 2023 With Comparative Totals for 2022	4
Statement of Functional Expenses, 2023 With Comparative Totals for 2022	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15

ROWLEY & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

46 NORTH STATE STREET
CONCORD, NEW HAMPSHIRE 03301
TELEPHONE (603) 228-5400
FAX # (603) 226-3532

MEMBER OF THE PRIVATE
COMPANIES PRACTICE SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Squam Lakes Association
Holderness, New Hampshire 03245

Opinion

We have audited the accompanying financial statements of Squam Lakes Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 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 Association as of December 31, 2023 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 Association 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 Association'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 Association'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 Association's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Rowley & Associates, P.C.
Concord, New Hampshire
June 4, 2024

SQUAM LAKES ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 and 2022
See Independent Auditors' Report

	<u>Net Assets Without Donor Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>2023 Total</u>	<u>2022</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 880,681	\$ 1,429,259	\$ 2,309,940	\$ 1,502,638
Investments	4,206,499	-	4,206,499	3,736,183
Accounts receivable	13,395	-	13,395	395
Pledges receivable	-	114,167	114,167	69,333
Prepaid expenses	9,889	-	9,889	10,562
Merchandise inventory	31,170	-	31,170	25,541
Right of use asset: finance lease	820	-	820	4,098
Total Current Assets	<u>5,142,454</u>	<u>1,543,426</u>	<u>6,685,880</u>	<u>5,348,750</u>
PROPERTY AND EQUIPMENT, at cost				
Land and improvements	3,079,354	-	3,079,354	3,079,354
Construction in progress	282,477	-	282,477	-
Building and improvements	1,959,033	-	1,959,033	1,959,033
Equipment, vehicles and watercraft	449,264	-	449,264	309,259
	<u>5,770,128</u>	<u>-</u>	<u>5,770,128</u>	<u>5,347,646</u>
Less: accumulated depreciation	1,306,986	-	1,306,986	1,237,666
	<u>4,463,142</u>	<u>-</u>	<u>4,463,142</u>	<u>4,109,980</u>
OTHER ASSETS				
Watercraft held for resale	-	-	-	5,000
LONG TERM ASSETS				
Pledges receivable, less current portion	-	35,500	35,500	61,334
Total Assets	<u>9,605,596</u>	<u>1,578,926</u>	<u>11,184,522</u>	<u>9,525,064</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	2,633	-	2,633	6,173
Accrued expenses	11,450	-	11,450	13,944
Note payable, current portion	7,500	-	7,500	7,500
Right of use liability: finance lease	821	-	821	4,098
Total Current Liabilities	<u>22,404</u>	<u>-</u>	<u>22,404</u>	<u>31,715</u>
LONG TERM LIABILITIES				
Note payable, less current portion	40,625	-	40,625	48,125
Total Current & Long-Term Liabilities	<u>63,029</u>	<u>-</u>	<u>63,029</u>	<u>79,840</u>
COMMITMENTS AND CONTINGENCIES (See Notes)				
NET ASSETS				
Without donor restriction	9,542,567	-	9,542,567	8,609,517
With donor restriction	-	1,578,926	1,578,926	835,707
Total Net Assets	<u>9,542,567</u>	<u>1,578,926</u>	<u>11,121,493</u>	<u>9,445,224</u>
Total Liabilities and Net Assets	<u>\$ 9,605,596</u>	<u>\$ 1,578,926</u>	<u>\$ 11,184,522</u>	<u>\$ 9,525,064</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023 With Comparative Totals
For the Year Ended December 31, 2022
See Independent Auditors' Report

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Revenues, gains and other support:				
Watershed Campaign	\$ -	\$ 1,206,592	\$ 1,206,592	\$ 705,040
Dues	134,828	-	134,828	151,741
Contributions	232,472	-	232,472	242,955
Contributions, non-cash	2,600	-	2,600	-
Grants	101,022	542,217	643,239	394,186
Program fees	297,076	-	297,076	256,028
Gain on sale of assets	3,350	-	3,350	580
Rental income	13,170	-	13,170	13,170
Gift shop income, net expenses of \$5,284 and 16,765	14,766	-	14,766	10,050
Total revenues, gains and other support	<u>799,284</u>	<u>1,748,809</u>	<u>2,548,093</u>	<u>1,773,750</u>
Net assets released from donor imposed restrictions	<u>1,005,590</u>	<u>(1,005,590)</u>	<u>-</u>	<u>-</u>
Expenses:				
Outreach and recreation	300,912	-	300,912	253,489
Education	227,512	-	227,512	200,891
Conservation	747,897	-	747,897	638,824
Total Program Services costs	<u>1,276,321</u>	<u>-</u>	<u>1,276,321</u>	<u>1,093,204</u>
General Operations	223,488	-	223,488	189,061
Fundraising	7,861	-	7,861	7,036
Total expenses	<u>1,507,670</u>	<u>-</u>	<u>1,507,670</u>	<u>1,289,301</u>
Operating increase in net assets	<u>297,204</u>	<u>743,219</u>	<u>1,040,423</u>	<u>484,449</u>
Investment Activity				
Interest and dividend income	104,173	-	104,173	82,637
Net unrealized gain (loss) on investments	448,509	-	448,509	(800,554)
Net realized gain on investments	83,164	-	83,164	15,287
Total investment gain (loss)	<u>635,846</u>	<u>-</u>	<u>635,846</u>	<u>(702,630)</u>
Increase (Decrease) in net assets	933,050	743,219	1,676,269	(218,181)
Net assets, beginning of year	<u>8,609,517</u>	<u>835,707</u>	<u>9,445,224</u>	<u>9,663,405</u>
Net assets, end of year	<u>\$ 9,542,567</u>	<u>\$ 1,578,926</u>	<u>\$ 11,121,493</u>	<u>\$ 9,445,224</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022
See Independent Auditors' Report

	2023							2022
	Outreach and Recreation	Education	Conservation	Total Program Services	General Operations	Fundraising	Total	Total
Salaries and wages	\$ 142,773	\$ 131,843	\$ 408,509	\$ 683,126	\$ 121,394	\$ 4,775	\$ 809,295	\$ 700,168
Health Insurance	15,427	14,246	44,141	73,815	13,117	516	87,448	86,315
Depreciation	12,229	11,293	34,991	58,514	10,398	409	69,321	60,907
Amortization, operating lease	578	534	1,655	2,768	492	19	3,279	-
General insurance	14,561	13,447	41,663	69,671	12,381	487	82,539	70,306
Postage and supplies	6,948	6,416	19,879	33,242	5,907	232	39,382	28,564
Payroll taxes	10,776	9,951	30,832	51,559	9,162	360	61,082	57,112
Food & Meetings	2,027	1,872	5,800	9,699	1,724	68	11,490	11,488
Professional fees	8,416	7,772	24,081	40,269	7,156	281	47,706	60,225
Utilities	3,837	3,543	10,979	18,359	3,263	128	21,750	20,061
Credit card sales fees	1,743	1,610	4,988	8,341	1,482	58	9,882	9,901
Repairs, maintenance	3,164	2,921	9,052	15,137	2,690	106	17,933	28,847
Printing	1,674	1,546	4,790	8,011	1,424	56	9,490	6,730
Small tools and equipment	11,319	10,453	32,387	54,159	-	-	54,159	34,283
Professional development	3,987	3,682	11,409	19,078	3,390	133	22,602	20,814
Employee retirement	2,012	1,858	5,757	9,628	1,711	67	11,406	13,568
Seminars and travel	393	362	1,123	1,878	334	13	2,225	4,249
Rentals	2,763	2,552	7,907	13,222	2,350	92	15,664	10,886
Gasoline	-	-	4,693	4,693	96	-	4,789	5,200
Water Testing	-	-	4,616	4,616	-	-	4,616	-
Permits and fees	4,312	-	7,840	12,151	7,448	-	19,599	13,382
Subscriptions	2,697	-	4,904	7,601	4,658	-	12,259	-
Contractors	47,530	-	20,910	68,440	5,257	-	73,697	38,925
Bookkeeping	-	-	-	-	6,172	-	6,172	4,994
Bank fees	54	50	155	260	46	2	308	181
Miscellaneous expenses	1,690	1,560	4,834	8,084	1,437	57	9,577	2,195
	<u>\$ 300,912</u>	<u>\$ 227,512</u>	<u>\$ 747,897</u>	<u>\$ 1,276,321</u>	<u>\$ 223,488</u>	<u>\$ 7,861</u>	<u>\$ 1,507,670</u>	<u>\$ 1,289,301</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 and 2022
See Independent Auditors' Report

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 1,676,269	\$ (218,181)
Adjustments to reconcile change in net assets to net unrestricted cash provided by operating activities:		
Depreciation	69,321	60,907
Amortization, operating lease	3,278	-
Non-cash donation of equipment	2,600	-
Net realized (gain) on investments	(83,164)	(15,287)
Net unrealized (gain) loss on investments	(448,509)	800,554
Net (gain) loss on sale of equipment	(3,350)	-
Interest and dividend income	(104,173)	(82,637)
Non-cash reduction in note payable	(7,500)	(7,500)
(Increase) decrease in operating assets:		
Accounts receivable	(13,000)	9,834
Pledges receivable	(19,000)	(130,667)
Prepaid expenses	673	(3,352)
Merchandise Inventory	(5,629)	4,967
Increase (decrease) in operating liabilities:		
Accounts payable	(3,540)	4,568
Accrued expenses	(2,494)	2,215
Net cash provided by operating activities	<u>1,061,782</u>	<u>425,421</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for property and equipment	(137,533)	-
Cash paid for construction in progress	(282,477)	-
Interest and dividend income	104,173	82,637
Proceeds from sale of investments	347,104	188,395
Purchase of investments	(285,747)	(106,290)
Net cash provided (used) by investing activities	<u>(254,480)</u>	<u>164,742</u>
Net increase in cash and cash equivalents	807,302	590,163
Cash and cash equivalents, beginning of year	<u>1,502,638</u>	<u>912,475</u>
Cash and cash equivalents, end of year	<u>\$ 2,309,940</u>	<u>\$ 1,502,638</u>

SUPPLEMENTAL INFORMATION ON NON-CASH INVESTING ACTIVITIES

Non-cash reduction in note payable	<u>\$ 7,500</u>	<u>\$ 7,500</u>
Non-cash contributions	<u>\$ 2,600</u>	<u>\$ -</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 1. Summary of Significant Accounting Policies

General

The Squam Lakes Association (SLA) is a nonprofit organization dedicated to conserving for public benefit the natural beauty, peaceful character and resources of the Squam Lakes Watershed in New Hampshire. The Association's programs and activities are designed to further its mission. The Association's primary source of revenue is from public contributions.

Basis of Presentation

The Association 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 Association 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 are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Revenue recognition: The financial statements of Squam Lakes Association reflect the accrual method of accounting.

Capitalization policy: Expenditures for additions, renewals and betterments of property and equipment, unless of relatively minor amount, are capitalized. 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 in which the asset is disposed.

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

	<u>Years</u>
Land improvements	10 - 20
Buildings and improvements	10 - 39
Equipment, vehicles and watercraft	3 - 10

Property and Equipment are carried at cost. Depreciation expense was \$69,321 and \$60,907 in 2023 and 2022, respectively.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 1. Summary of 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.

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

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions: 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 restriction 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 SLA records donations of services and materials which increase long-lived assets at their fair values and recognizes these revenues as increases in unrestricted net assets.

Cash and cash equivalents: For purposes of reporting cash flows, the SLA 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, 2023 and 2022, the SLA had no cash equivalents.

Income taxes: The Association 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 Association 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.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 1. Summary of Significant Accounting Policies (Continued)

Inventory: Inventory of gift shop merchandise and supplies is based on physical counts, and valued using the lower of cost or market using the first-in, first-out (FIFO) method.

Concentration of Credit Risk: The Association 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 Association may have cash balances at the financial institution that exceeds the insured amount. Management does not believe this concentration of cash results in a high level of risk for the Association. At December 31, 2023 and 2022 the Association had \$1,319,882 and \$820,680 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 Association's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Financial Instruments: The carrying value of cash and cash equivalents, accounts and grants receivable, prepaid expenses, inventory, accounts payable and accrued expenses are stated at carrying cost at December 31, 2023 and 2022, which approximates fair value due to the relatively short maturity of these instruments. Other financial instruments held at year-end are investments, which are stated at fair value.

Leases: In February, 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee is required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily depend on its classification as a finance or operating lease. However, unlike current GAAP—which required only capital leases to be recognized on the statement of financial position—the new ASU required both types of leases to be recognized on the statement of financial position. This standard was implemented for the year ended December 31, 2022 and is reflected in the statement of financial position.

Subsequent Event

Management has evaluated subsequent events through June 4, 2024, the date on which the financial statements were available to be issued to determine if any are of such significance to require disclosure. It has been determined that no subsequent events matching this criterion occurred during this period.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 2. Investments

Investments are presented in the financial statements at fair-market value. Investments at December 31, 2023 and 2022 are composed of the following:

	2023		2022	
	Cost	Market	Cost	Market
Equity mutual funds	\$ 1,402,518	\$ 1,749,384	\$ 1,390,078	\$ 1,555,184
Bond mutual funds	322,373	283,862	445,143	388,189
Federal money market	327,264	327,264	144,911	144,911
Exchange traded funds	<u>1,180,970</u>	<u>1,845,989</u>	<u>1,220,407</u>	<u>1,647,899</u>
Total	<u>\$ 3,233,125</u>	<u>\$ 4,206,499</u>	<u>\$ 3,210,539</u>	<u>\$ 3,763,183</u>

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 Association 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. None of the investments are Level 2 or Level 3 investments.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 2. Investments (Continued)

The Association maintains individual investments containing net assets without donor restrictions. These are board designated funds. 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 mean of the high and low price as of the date of receipt. Investment income, realized and unrealized gains, losses, dividends and interest income included in unrestricted activities are recorded as operating activities.

Investment Return Objectives, Risk Parameters and Strategies

The purpose of the Squam Lake Fund is to promote the general purposes of the Association by dedicating and applying income to help support the operations of the Association and principal to acquire lands or interest in land in towns within the Squam Lakes watershed for conservation and protection or which further the mission of the Association.

Spending Policy

The spending policy is to take distributions of annual amounts not to exceed 6% of the trailing eight quarter average of value of the fund assets. Distributions or borrowings against the Squam Lakes Fund may be authorized for acquisition of lands or interests in lands, subject to restrictions set forth by the Board.

Note 3. Retirement Plan

The SLA offers a SIMPLE IRA plan which is available to all employees who have received at least \$5,000 in compensation in any one previous year and are expected to receive at least \$5,000 during the current year. Employer contributions equal the amount of the elective deferrals but not more than 3% of compensation received. Employer contributions for December 31, 2023 and 2022 totaled \$11,406 and \$13,568, respectively.

Note 4. Compensated Absences

Employees of the Association 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, 2023 and 2022.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 5. Fair Value Measurements

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Association is required to disclose certain information about its financial assets and liabilities. Fair values of assets measured on a recurring basis at December 31, 2023 were as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)
Investments	\$4,206,499	\$4,206,499	\$ -
Accounts receivable	13,395	-	13,395
Pledges receivable	<u>149,667</u>	<u>-</u>	<u>149,667</u>
	<u>\$4,369,561</u>	<u>\$4,206,499</u>	<u>\$ 163,062</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 accounts and pledges receivable are estimated at the present value of expected future cash flows.

Note 6. Note Payable and Rental Agreement

A tenant, Squam Lakes Conservation Society (SLCS), of the Association made improvements to occupancy space. In 2012 an agreement between the SLA and SLCS was finalized, which calls for gross rents receivable to the SLA in monthly amounts of \$912. The agreement also references a note payable by the SLA to SLCS with monthly payments due of \$625 for twenty years (\$7,500 per annum) and zero percent interest. The SLA credits rents due from SLCS resulting in net rent due of \$288 per month.

Note payable as of December 31:

	<u>2023</u>	<u>2022</u>
Short Term	\$ 7,500	\$ 7,500
Long Term	<u>40,625</u>	<u>48,125</u>
	<u>\$ 48,125</u>	<u>\$ 55,625</u>

Rental income received from SLCS totaled \$10,950 for each of the years ended December 31, 2023 and 2022, respectively.

Note 7. Rental Agreement

The SLA also had a month-to-month verbal agreement with a local non-profit, the Chocorua Chapel Association. The agreement includes office support, office equipment, building use and bookkeeping services provided by the SLA. The monthly rent is \$185. Rental income relating to the non-profit totaled \$2,220 and \$2,220 for the years ended December 31, 2023 and 2022, respectively.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 8. Liquidity and Availability of Financial Assets

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Association's primary sources of support are contributions, dues, grants and program services. Most of that support is held for the purpose of supporting the Association's budget. The Association has \$5,087,180 in cash and investments without donor restrictions which it could draw upon in the event of an anticipated liquidity need.

Note 9. Board Designated Net Assets

The Association has net assets designated for various future projects or needs. These funds are comprised of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Squam Lakes Fund	\$ 3,736,183	\$ 3,736,183
Property Fund	<u>3,992,831</u>	<u>3,992,831</u>
Total Board Designated Net Assets	<u>\$ 7,729,014</u>	<u>\$ 7,729,014</u>

Note 10. Net Assets With Donor Restrictions

	<u>2023</u>	<u>2022</u>
Watershed Campaign	\$ <u>1,578,926</u>	\$ <u>835,707</u>
Total Net Assets subject to donor restriction	<u>\$ 1,578,926</u>	<u>\$ 835,707</u>

Note 11. AmeriCorps Program

The Association participated in an AmeriCorps service program through the Lakes Region Conservation Corps. SLA provides AmeriCorps participants with service opportunities. While costs were incurred by SLA for the participants, the Association also received federal grant income to offset these costs. Revenue and costs related to this program are included in the financial statements.

The Association provided housing for AmeriCorps participants on one of its properties. During the years ended December 31, 2023 and 2022 the value of the housing was estimated to be \$32,280 and \$26,734 based on a discounted fair market value of similar local housing and is not included in the financial statements.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 12. Cost allocation

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 consistently applied. 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.

Note 13. Pledges receivable

The Organization's pledges receivable are made up of short-term and long-term pledges. As of December 31, 2023, pledges that are collectable were as follows:

2024:	\$ 114,167
2025:	<u>39,500</u>
	<u>\$ 153,667</u>

Note 14. Construction in Progress

The Associations improvement in progress projects are for improvements to public facilities, main building and barn. As of December 31, 2023 and 2022, there was \$282,477 and \$0 related to the project included in construction in progress on the statement of financial position. This project is in progress as of the date of the report.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2023 and 2022
See Independent Auditors' Report

Note 15. Leases

The Organization leases office equipment under a long-term operating lease agreement. The lease expires in 2024. The weighted-average discount rate is based on the discount rate implicit in the lease. The organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the office facility class of assets. The entity elected the practical expedient to not reassess whether any expired, existing contracts, contained leases and any indirect costs for existing leases.

Total right-of-use assets and lease liabilities at December 31, 2023 are as follows:

Lease Assets – Classification in Statement of Financial Position

Finance right-of-use-assets \$ 820

Lease Liabilities – Classification in Statement of Financial Position:

Finance lease liability \$ 821

The weighted-average remaining lease term and weighted-average discount rate are as follows:

Weighted-average remaining lease term in years	<u>2023</u>
Operating leases	0.25

Weighted-average discount rate	<u>2023</u>
Operating leases	5.2%

The future minimum lease payments under finance leases with terms greater than one year as of December 31:

	2024
	<u>Operating</u>
	\$ <u>864</u>
Total lease payments	\$ 864
NPV discount	<u>(43)</u>
Present value of lease liabilities	\$ <u>821</u>

Amortization expense recognized under operating leases was \$3,279 and \$0 during the years ended December 31, 2023 and 2022, respectively.