

SQUAM LAKES ASSOCIATION
FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

DRAFT

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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, 2021 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, 2021 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 10, 2022

SQUAM LAKES ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 and 2020
See Independent Auditors' Report

	<u>Net Assets Without Donor Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>2021 Total</u>	<u>2020</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 662,475	\$ 250,000	\$ 912,475	\$ 546,405
Investments	4,603,555	-	4,603,555	4,080,345
Accounts receivable	10,229	-	10,229	4,125
Grants receivable	-	-	-	53,735
Prepaid expenses	7,210	-	7,210	7,552
Merchandise inventory	30,508	-	30,508	20,363
Total Current Assets	<u>5,313,977</u>	<u>250,000</u>	<u>5,563,977</u>	<u>4,712,525</u>
PROPERTY AND EQUIPMENT, at cost				
Land and improvements	3,079,354	-	3,079,354	3,285,349
Building and improvements	1,959,033	-	1,959,033	1,954,033
Equipment, vehicles and watercraft	319,759	-	319,759	295,488
	<u>5,358,146</u>	<u>-</u>	<u>5,358,146</u>	<u>5,534,870</u>
Less: accumulated depreciation	1,187,259	-	1,187,259	1,126,804
	<u>4,170,887</u>	<u>-</u>	<u>4,170,887</u>	<u>4,408,066</u>
OTHER ASSETS				
Watercraft held for resale	5,000	-	5,000	5,000
Total Assets	<u>9,489,864</u>	<u>250,000</u>	<u>9,739,864</u>	<u>9,125,591</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	13,334	-	13,334	15,231
Note payable, current portion	7,500	-	7,500	7,500
Total Current Liabilities	<u>20,834</u>	<u>-</u>	<u>20,834</u>	<u>22,731</u>
LONG-TERM LIABILITIES				
Note payable, less current portion	55,625	-	55,625	63,125
Total Current & Long-Term Liabilities	<u>76,459</u>	<u>-</u>	<u>76,459</u>	<u>85,856</u>
COMMITMENTS AND CONTINGENCIES (See Notes)				
NET ASSETS				
Without donor restriction	9,413,405	-	9,413,405	9,039,735
With donor restriction	-	250,000	250,000	-
Total Net Assets	<u>9,413,405</u>	<u>250,000</u>	<u>9,663,405</u>	<u>9,039,735</u>
Total Liabilities and Net Assets	<u>\$ 9,489,864</u>	<u>\$ 250,000</u>	<u>\$ 9,739,864</u>	<u>\$ 9,125,591</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021 With Comparative Totals
For the Year Ended December 31, 2020
See Independent Auditors' Report

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Revenues, gains and other support:				
Capital Campaign	\$ -	\$ 250,000	\$ 250,000	-
Dues	140,115	-	140,115	\$ 133,130
Contributions	254,985	-	254,985	301,926
Contributions, non-cash	-	-	-	-
Grants	4,814	304,250	309,064	489,727
Interest and dividend income	86,513	-	86,513	78,970
Net unrealized gain on investments	104,435	-	104,435	400,929
Net realized gain on investments	374,542	-	374,542	66,569
Program fees	258,189	19,705	277,894	127,417
Rental income	13,170	-	13,170	13,170
Gift shop income, net expenses of \$6,268	16,693	-	16,693	6,013
Total revenues, gains and other support	<u>1,253,456</u>	<u>573,955</u>	<u>1,827,411</u>	<u>1,617,851</u>
Net assets released from donor imposed restrictions	<u>323,955</u>	<u>(323,955)</u>	<u>-</u>	<u>-</u>
Expenses:				
Outreach and recreation	189,463	-	189,463	173,209
Education	172,098	-	172,098	188,475
Conservation	671,896	-	671,896	500,747
Total Program Services costs	1,033,456	-	1,033,456	862,431
General Operations	164,179	-	164,179	144,402
Fundraising	6,106	-	6,106	5,480
Total expenses	<u>1,203,741</u>	<u>-</u>	<u>1,203,741</u>	<u>1,012,313</u>
Increase in net assets	373,670	250,000	623,670	605,538
Net assets, beginning of year	<u>9,039,735</u>	<u>-</u>	<u>9,039,735</u>	<u>8,434,197</u>
Net assets, end of year	<u>\$ 9,413,405</u>	<u>\$ 250,000</u>	<u>\$ 9,663,405</u>	<u>\$ 9,039,735</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020
See Independent Auditors' Report

	2021							2020
	Trails and Access	Education	Conservation	Total Program Services	General Operations	Fundraising	Total	Total
Salaries and wages	\$ 107,806	\$ 99,553	\$ 308,460	\$ 515,819	\$ 91,663	\$ 3,605	\$ 611,088	\$ 562,886
Health Insurance	13,284	12,267	38,009	63,561	11,295	444	75,300	76,818
Depreciation	10,665	9,849	30,516	51,030	9,068	357	60,455	57,561
General insurance	12,316	11,373	35,240	58,930	10,472	412	69,814	60,412
Postage and supplies	4,856	4,484	13,894	23,234	4,129	162	27,525	17,600
Payroll taxes	8,944	8,259	25,590	42,792	7,604	299	50,696	42,842
Food & Meetings	745	688	2,131	3,563	633	25	4,221	3,255
Professional fees	4,871	4,498	13,938	23,307	4,142	163	27,612	27,750
Utilities	3,075	2,839	8,797	14,711	2,614	103	17,428	15,178
Credit card sales fees	1,638	1,512	4,685	7,835	1,392	55	9,282	6,908
Repairs, maintenance	4,016	3,709	11,492	19,218	3,415	134	22,767	16,019
Printing	1,912	1,766	5,471	9,148	1,626	64	10,838	4,942
Small tools and equipment	3,780	3,490	10,814	18,084	-	-	18,084	37,012
Professional development	2,805	2,590	8,025	13,420	2,385	94	15,899	5,549
Employee retirement	1,746	1,612	4,996	8,355	1,485	58	9,898	12,310
Seminars and travel	183	169	523	874	155	6	1,036	446
Rentals	1,510	1,394	4,319	7,223	1,284	50	8,557	8,127
Gasoline	-	-	2,857	2,857	58	-	2,915	2,176
Water Testing	-	-	4,176	4,176	-	-	4,176	4,806
Permits and fees	3,098	-	5,632	8,730	5,350	-	14,080	7,721
Bookkeeping	-	-	-	-	3,525	-	3,525	2,181
Bank fees	23	21	66	110	20	1	130	123
Miscellaneous expenses	2,191	2,023	6,269	10,484	1,863	73	12,420	9,591
Land transferred to other land trusts	-	-	25,995	25,995	-	-	25,995	-
Grants to other organizations	-	-	100,000	100,000	-	-	100,000	30,100
	<u>\$ 189,463</u>	<u>\$ 172,098</u>	<u>\$ 671,896</u>	<u>\$ 1,033,456</u>	<u>\$ 164,179</u>	<u>\$ 6,106</u>	<u>\$ 1,203,741</u>	<u>\$ 1,012,313</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 and 2020
See Independent Auditors' Report

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 623,670	\$ 605,538
Adjustments to reconcile change in net assets to net unrestricted cash provided by operating activities:		
Depreciation	60,455	57,561
Non-cash donation of land	205,995	-
Net realized (gain) on investments	(374,542)	(66,569)
Net unrealized (gain) loss on investments	(104,435)	(400,929)
Interest and dividend income	(86,513)	(78,970)
Non-cash reduction in note payable	(7,500)	(7,500)
(Increase) decrease in operating assets:		
Accounts receivable	(6,104)	(3,531)
Grants receivable	53,735	(34,020)
Prepaid expenses	342	(107)
Merchandise Inventory	(10,145)	1,169
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,897)	(12,546)
Net cash provided (used) by operating activities	<u>353,061</u>	<u>60,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for property and equipment	(29,271)	(27,000)
Interest and dividend income	86,513	78,970
Proceeds from sale of investments	787,041	169,608
Purchase of investments	(831,274)	(137,007)
Net cash provided (used) by investing activities	<u>13,009</u>	<u>84,571</u>
Net increase (decrease) in cash and cash equivalents	366,070	144,667
Cash and cash equivalents, beginning of year	<u>546,405</u>	<u>401,738</u>
Cash and cash equivalents, end of year	<u>\$ 912,475</u>	<u>\$ 546,405</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>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2021 and 2020
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.

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 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 \$60,455 and \$57,561 in 2021 and 2020, respectively.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2021 and 2020
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, 2021 and 2020, 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 2021 and 2020
See Independent Auditors' Report

Note 1. Summary of Significant Accounting Policies (Continued)

Income taxes (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, 2021 and 2020 the Association had \$342,958 and \$212,261 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, 2020, 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, 2021 and 2020, 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.

Recent Accounting Pronouncements: In February, 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be 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 will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the statement of financial position—the new ASU will require both types of leases to be recognized on the statement of financial position. This standard is effective for annual reporting periods beginning after December 15, 2021.

Subsequent Event

Management has evaluated subsequent events through June 10, 2022, 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 2021 and 2020
See Independent Auditors' Report

Note 2. Investments

Investments are presented in the financial statements at fair-market value. Investments at December 31, 2021 and 2020 are composed of the following:

	2021		2020	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equity mutual funds	\$1,350,306	\$ 1,882,804	\$1,113,097	\$1,566,278
Bond mutual funds	445,995	447,589	431,143	458,428
Federal money market	157,970	157,970	42,883	42,883
Exchange traded funds	<u>1,324,152</u>	<u>2,115,192</u>	<u>1,272,250</u>	<u>2,012,756</u>
Total	<u>\$3,278,423</u>	<u>\$4,603,555</u>	<u>\$2,859,373</u>	<u>\$4,080,345</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 2021 and 2020
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, 2021 and 2020 totaled \$9,898 and \$12,310, 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, 2021 and 2020.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2021 and 2020
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, 2021 were as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)
Investments	\$4,603,555	\$4,603,555	\$ -
Accounts receivable	10,229	-	10,229
Grants receivable	-	-	-
	<u>\$4,613,784</u>	<u>\$4,603,555</u>	<u>\$ 10,229</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 grants 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>2021</u>	<u>2020</u>
Short Term	\$ 7,500	\$ 7,500
Long Term	<u>55,625</u>	<u>63,125</u>
	<u>\$ 63,125</u>	<u>\$ 70,625</u>

Rental income received from SLCS totaled \$10,950 for each of the years ended December 31, 2021 and 2020, 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, 2021 and 2020, respectively.

SQUAM LAKES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2021 and 2020
See Independent Auditors' Report

Note 7. Rental Agreement (continued)

The Association also received \$0 in facility rental income for events held on its premise during the years ended December 31, 2021 and 2020, respectively.

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 \$5,516,030 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>2021</u>	<u>2020</u>
Squam Lakes Fund	\$4,603,555	\$4,080,345
Property Fund	<u>3,992,831</u>	<u>3,992,831</u>
Total Board Designated Net Assets	<u>\$8,596,386</u>	<u>\$8,073,176</u>

Note 10. Net Assets With Donor Restrictions

	<u>2021</u>	<u>2020</u>
Capital Campaign	<u>\$250,000</u>	<u>\$ -</u>
Total Net Assets subject to donor restriction	<u>\$250,000</u>	<u>\$ -</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, 2021 and 2020 the value of the housing was estimated to be \$26,601 and \$22,476 based on a discounted fair market value of similar local housing and is not included in the financial statements.

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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. 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.

Note 14. Payroll Protection Program

On April 20, 2020 the Association received approval of a loan from The U.S. Small Business Administration as part of the Paycheck Protection Program in the amount of \$103,900. On December 1, 2020, \$95,546 of the loan was forgiven under the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136). The balance of the loan was paid by the Association on December 4, 2020. On March 2, 2021 the Association received \$8,065 in Paycheck Protection Program reimbursement.

Note 15. Nonmonetary Transactions

During 2021, the Association donated land with a book value of \$100,000 to Squam Lakes Conservation Society through a mutual agreement. The Association considers this to mutually support their program and mission objectives. No gain or loss was recognized on the donation of the land.