

NEW HAMPSHIRE LAKES ASSOCIATION, INC.
(NH LAKES)

FINANCIAL REPORT

MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Hampshire Lakes Association, Inc.
Concord, New Hampshire 03301

Report on the Financial Statements

We have audited the accompanying financial statements of New Hampshire Lakes Association, Inc., which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Lakes Association, Inc. as of March 31, 2019, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the beginning net assets have been restated. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of New Hampshire Lakes Association, Inc. for the year ended March 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on July 3, 2018.

Nathan Wechsler & Company
Concord, New Hampshire
October 8, 2019

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

March 31, 2019 and 2018

		ASSETS	
		2019	2018
CURRENT ASSETS			
Cash and cash equivalents	\$	396,684	\$ 305,850
Accounts receivable		890	2,600
Contributions receivable		166,290	315,546
Prepaid expenses		18,107	13,437
<i>Total current assets</i>		581,971	637,433
 LONG-TERM ASSETS			
Deposits		3,612	3,612
Property and equipment, net		50,079	31,459
<i>Total assets</i>	\$	635,662	\$ 672,504
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$	2,376	\$ 2,936
Accrued payroll		7,473	7,214
Accrued vacation		19,653	15,198
Deferred revenues		86,382	90,797
Agency obligation		474	22,000
<i>Total liabilities</i>		116,358	138,145
 NET ASSETS (see Note 12)			
Without donor restrictions		286,822	218,813
With donor restrictions (Note 7)		232,482	315,546
<i>Total net assets</i>		519,304	534,359
<i>Total liabilities and net assets</i>	\$	635,662	\$ 672,504

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended March 31, 2019 and Comparative Totals for Year Ended March 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenues				
Public and private grants	\$ 631,836	\$ 66,192	\$ 698,028	\$ 647,888
Campaign contributions	-	-	-	554,291
Membership dues and contributions	297,774	-	297,774	218,866
Program service revenue	87,186	-	87,186	44,177
Investment income	5,287	-	5,287	1,338
Miscellaneous income	7,224	-	7,224	-
<i>Total support and revenues</i>	1,029,307	66,192	1,095,499	1,466,560
Net assets released from restrictions:				
For satisfaction of time restrictions	149,256	(149,256)	-	-
<i>Total support, revenues, and net assets released from restriction</i>	1,178,563	(83,064)	1,095,499	1,466,560
Program expenses:				
Member services	95,811	-	95,811	41,107
Conservation	582,889	-	582,889	586,999
Advocacy	58,099	-	58,099	41,442
Outreach	122,779	-	122,779	54,142
	859,578	-	859,578	723,690
Supporting services and general expenses:				
Management and general	194,687	-	194,687	185,920
Fundraising	56,289	-	56,289	49,473
<i>Total expenses</i>	1,110,554	-	1,110,554	959,083
<i>Total increase (decrease) in net assets</i>	68,009	(83,064)	(15,055)	507,477
Net assets, beginning of year, as originally stated	534,359	-	534,359	26,882
<i>Prior period adjustments (Note 12)</i>	(315,546)	315,546	-	-
Net assets, beginning of year, as restated	218,813	315,546	534,359	26,882
<i>Net assets, end of year</i>	\$ 286,822	\$ 232,482	\$ 519,304	\$ 534,359

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2019 and Comparative Totals for Year Ended March 31, 2018

	Member Services	Conservation	Advocacy	Outreach	Management and General	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 28,937	\$ 64,230	\$ 37,247	\$ 66,281	\$ 137,407	\$ 25,957	\$ 360,059	\$ 280,242
Salaries and wages - seasonal	-	419,206	-	-	-	-	419,206	421,001
Payroll taxes and benefits	4,151	14,327	8,565	12,150	27,950	3,900	71,043	62,954
Payroll taxes and benefits - seasonal	-	35,296	-	-	-	-	35,296	38,522
<i>Total personnel costs</i>	<u>33,088</u>	<u>533,059</u>	<u>45,812</u>	<u>78,431</u>	<u>165,357</u>	<u>29,857</u>	<u>885,604</u>	<u>802,719</u>
Professional fees and contract services	41,891	8,021	1,859	2,657	5,084	1,195	60,707	22,152
Occupancy	5,396	11,154	5,385	5,808	7,310	3,463	38,516	16,191
Printing	5,306	7,786	382	2,195	1,815	4,589	22,073	18,233
Supplies	339	11,235	216	3,271	895	165	16,121	22,656
Postage	3,183	1,171	262	1,401	1,030	5,848	12,895	11,676
Facility rental	-	-	-	11,960	75	-	12,035	9,839
IT and equipment	1,508	2,546	1,261	3,381	1,156	994	10,846	8,269
Hospitality/recognition	1,623	47	110	812	695	7,450	10,737	4,228
Marketing	868	1,438	727	5,813	919	490	10,255	12,055
Travel	1,008	1,059	538	2,378	32	572	5,587	5,442
Insurance	606	1,254	606	649	822	389	4,326	4,222
Credit card fees	-	-	-	486	3,228	243	3,957	3,762
Office relocation	64	629	64	2,093	700	41	3,591	9,552
Professional development	146	640	92	338	852	463	2,531	1,167
Dues and subscriptions	-	299	-	265	1,213	25	1,802	1,290
Bank charges	-	744	-	-	529	-	1,273	318
Penalties and fines	-	-	-	-	-	-	-	800
<i>Total expenses before depreciation</i>	<u>95,026</u>	<u>581,082</u>	<u>57,314</u>	<u>121,938</u>	<u>191,712</u>	<u>55,784</u>	<u>1,102,856</u>	<u>954,571</u>
Depreciation	785	1,807	785	841	2,975	505	7,698	4,512
<i>Total expenses</i>	<u>\$ 95,811</u>	<u>\$ 582,889</u>	<u>\$ 58,099</u>	<u>\$ 122,779</u>	<u>\$ 194,687</u>	<u>\$ 56,289</u>	<u>\$ 1,110,554</u>	<u>\$ 959,083</u>

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
Year Ended March 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (15,055)	\$ 507,477
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	7,698	4,512
Decrease in accounts receivable	1,710	5,455
(Increase) decrease in contributions receivable	149,256	(315,546)
Increase in prepaid expenses	(4,670)	(9,895)
Increase (decrease) in accounts payable	(560)	2,061
Increase in accrued payroll	259	2,727
Increase in accrued vacation	4,455	7,581
Increase (decrease) in agency obligation	(21,526)	22,000
Decrease in deferred revenues	(4,415)	(53,620)
	<hr/>	<hr/>
<i>Net cash provided by operating activities</i>	117,152	172,752
	<hr/>	<hr/>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	(26,318)	(33,911)
	<hr/>	<hr/>
<i>Net increase in cash</i>	90,834	138,841
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	305,850	167,009
	<hr/>	<hr/>
<i>Cash and cash equivalents, end of year</i>	\$ 396,684	\$ 305,850
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NEW HAMPSHIRE LAKES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities

The New Hampshire Lakes Association, Inc. (NH LAKES) was incorporated in 1992 under the laws of the State of New Hampshire. The mission of NH LAKES is to keep New Hampshire's lakes clean and healthy, now and in the future. NH LAKES works with partners, promotes clean water policies and responsible use, and inspires the public to care for our lakes.

NH LAKES conducted a strategic direction planning process in 2016-17, out of which came a commitment to increase the size and impact of NH LAKES. It then launched a successful fundraising campaign to implement this growth initiative. One aspect of the growth initiative was a branding project. As a result of that work, the New Hampshire Lakes Association, Inc. now does business as NH LAKES.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of NH LAKES are prepared on the accrual basis; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net assets: NH LAKES reports information regarding its financial position and activities according to two categories of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of these net asset categories are as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time the Board of Directors designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

NH LAKES reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Volunteer Hours: Many individuals volunteer their time to perform a variety of tasks that assist NH LAKES. During the years ended March 31, 2019 and 2018 the Association received approximately 10,125 and 11,200 volunteer services hours, respectively. The value of these donated services, although clearly substantial does not meet the requirements for recognition and is not reflected in the financial statements.

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Compensated absences: Employees of NH LAKES are entitled to paid vacations, sick days, and other time of depending on job classification, length and other factors.

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 estimated amounts.

Contributions: NH LAKES recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction on a contribution from a previous reporting period expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Property and equipment: Property and equipment are recorded at cost, or in the case of donated assets, at fair value. Maintenance, repairs and minor renewals are expensed as incurred. Purchases, renewals and betterments in excess of \$1,500 are capitalized. Provision for depreciation is made using the straight-line method by annual charges calculated to absorb the costs over the following estimated useful lives:

	Years
Leasehold improvements	5
Program equipment.....	5
Furniture and fixtures	5
Office equipment.....	5

Cash and cash equivalents: NH LAKES considers cash in bank and all other highly liquid investments with an original maturity of less than three months to be cash and cash equivalents for purposes of the statement of cash flows. NH LAKES has no cash equivalents at March 31, 2019 and 2018.

Investments: Contributors to NH LAKES sometimes make donations of stock. It is the practice of NH LAKES to sell any shares of stock immediately. As of March 31, 2019 and 2018, there were no securities on hand.

Accounts receivable and contributions receivable: Accounts receivable and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for financial assistance and bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts

Balances that are still outstanding after management has used reasonable collection efforts are considered financial assistance for accounts receivable or bad debt expense for contributions receivable and are adjusted accordingly.

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions receivable expected to be received beyond one year are recognized at fair value using present value techniques and a discount rate of 4%.

Deferred revenue: During the years ended March 31, 2019 and 2018, NH LAKES collected sponsorship and registration revenues for future events. This revenue is deferred and recognized when the event takes place, or the expenses have been incurred. They had also collected grant income prior to the recognition of the expenses to which these grants have been incurred.

Income taxes: NH LAKES is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. NH LAKES is also exempt from state income taxes by virtue of its ongoing exemptions from federal income taxes. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

NH LAKES adopted the provision of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management evaluated NH LAKES's tax positions and concluded NH LAKES had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, NH LAKES is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for years before 2016.

Advertising costs: Advertising costs are expensed as incurred.

Functional allocation of expenses: The costs of providing various programs and supporting services are summarized on a functional basis in the statement of activities and changes in net assets. Expenses are directly charged to the appropriate activity, where feasible. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, they may require allocation on a reasonable basis that is consistently applied. Depreciation and occupancy are allocated based on square-footage. Personnel costs are allocated based on the estimates of time and effort.

Recent Accounting Pronouncements: In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which NH LAKES expects to be entitled in exchange for those goods and services. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective on April 1, 2019. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact this will have on its financial statements.

In February 2016, the FASB issued, *Leases, Topic 842* (ASU 2016-02), which will be effective for NH LAKES on April 1, 2021, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. NH LAKES is currently evaluating the impact of ASU 2016-02 on its financial statements.

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Concentration of Credit Risk

NH LAKES maintains its cash at local financial institutions. NH LAKES' accounts are insured up to \$250,000 per depositor at each financial institution. Amounts in excess of federally insured limits approximated \$43,000 at March 31, 2019.

Note 4. Contributions Receivable

Contributions receivable consist of the following:

March 31,	2019	2018
Promise to give expected to be collected in:		
In one year or less	\$ 166,290	\$ 162,146
Between one year and two years	-	153,400
<i>Total</i>	\$ 166,290	\$ 315,546

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary at March 31, 2019 and 2018.

Note 5. Demand Note Payable

At March 31, 2019 and 2018, NH LAKES had a \$50,000 revolving line of credit with a bank. Interest is payable monthly at 1.0% over the Wall Street Journal prime rate, and the note is unsecured, but NH LAKES must maintain the bank as its principal bank of deposit. At March 31, 2019 and 2018, the outstanding balance was zero.

Note 6. Property and Equipment

March 31,	2019	2018
Leasehold improvements	\$ 1,947	\$ -
Furniture and fixtures	35,068	32,851
Program equipment	20,303	-
Office equipment	1,059	1,059
<i>Total property and equipment</i>	58,377	33,910
Less accumulated depreciation	8,298	2,451
<i>Total property and equipment, net</i>	\$ 50,079	\$ 31,459

Depreciation expense for the years ended March 31, 2019 and 2018 was \$7,698 and \$3,393, respectively.

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

March 31,	2019	2018
Subject to expenditure for specified purpose or period:		
Time restricted contributions receivable	\$ 166,290	\$ 315,546
LakeSmart program	66,192	-
<i>Total net assets with donor restrictions</i>	<u>\$ 232,482</u>	<u>\$ 315,546</u>

See Note 12 regarding a change to the March 31, 2018 balance.

Note 8. Liquidity and Availability of Resources

The following reflects NH LAKES' financial assets as of the balance sheet date, reduced by amounts not available to meet cash needs for general expenditures within one year. NH LAKES' working capital and cash flows have seasonal variations during the year primarily due to the Lake Host Program during the summer months. The NH Department of Environmental Services (DES) grant in the amount of \$280,000 will be paid in three payments over the summer. NH LAKES also expects to receive matching funds from local groups over the summer to cover expenses related to the Lake Host Program at their lake.

March 31,	2019	2018
Financial assets, at year-end:		
Cash and cash equivalents:	\$ 396,684	\$ 305,850
Accounts receivable	890	2,600
Contributions receivable	166,290	315,546
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(66,192)	(166,290)
<i>Financial assets available to meet cash needs for general expenditures within one year</i>	<u>\$ 497,672</u>	<u>\$ 457,706</u>

NH LAKES maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. NH LAKES' financial assets are primarily made up of assets available to meet cash needs for general expenditures within one year. As more fully described in Note 5, NH LAKES has a \$50,000 revolving line of credit with a bank which it could draw upon in the event of an unanticipated liquidity need.

NEW HAMPSHIRE LAKES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement Benefits

NH LAKES maintains a Simple IRA plan for all eligible employees. Under the plan, NH LAKES matches up to 3% of employee contributions. NH LAKES contributions for the years ended March 31, 2019 and 2018 totaled \$10,467 and \$8,839, respectively.

Note 10. Operating Leases

NH LAKES entered into a lease agreement for a copier during April 2017. The term is for 48 months with monthly lease payments of \$165. Total payments of \$1,980 and \$1,973, were made for the years ended March 31, 2019 and 2018, respectively.

NH LAKES leased two different office spaces under non-cancelable operating leases. The first lease was in effect from July 1, 2016 through January 31, 2018 with monthly rent of \$900. The second lease for a new office space was effective February 1, 2018 and runs for five years. During the first year of the lease, total rent of \$30,932 is due. The lease rate thereafter is set to increase 3% annually. Total payments for the years ended March 31, 2019 and 2018 was \$31,088 and \$11,812 respectively.

The future minimum lease payments due as of March 31, 2019 are as follows:

<u>Year Ending March 31,</u>	
2020	\$ 34,005
2021	34,958
2022	35,954
2023	29,022
<i>Total</i>	<u>\$ 133,939</u>

Note 11. Fiscal Agency

During the year ended March 31, 2018, NH LAKES entered into an agreement to be the fiscal agent for NH Lives on Water (NHLOW), an unincorporated entity, for the purpose of managing funds related to an economic impact study called, "What's Our Water Worth?". The agency obligation at March 31, 2019 and 2018 was \$474 and \$22,000, respectively.

Note 12. Prior Period Adjustment

During the year ended March 31, 2018, it was determined that net asset classifications previously reported did not adhere to FASB ASC 958-205-45. This correction had no effect on the change in net assets or total net assets for the year ended March 30, 2018. However, the cumulative effect increases net assets with donor restrictions by \$315,546 and decreases net assets without donor restrictions by \$315,546 at March 31, 2018.

Note 13. Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications have had no effect on changes in net assets as previously reported.

Note 14. Subsequent Events

NH LAKES has evaluated subsequent events through October 8, 2019 the date which the financial statements were issued, and have not evaluated subsequent events after that date. There were no subsequent events that would require disclosure in the financial statements for the year ended March 31, 2019.