

MOUNT WASHINGTON OBSERVATORY, INC.

**FOR THE YEARS ENDED APRIL 30, 2021 AND 2020
AND
INDEPENDENT AUDITORS' REPORT**

*Leone,
McDonnell
& Roberts*
PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

MOUNT WASHINGTON OBSERVATORY, INC.

APRIL 30, 2021 AND 2020

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To the Board of Trustees of
Mount Washington Observatory, Inc.
North Conway, New Hampshire

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Mount Washington Observatory, Inc. (a New Hampshire nonprofit organization), which comprise the statement of financial position as of April 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Mount Washington Observatory, Inc. as of April 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mount Washington Observatory, Inc.'s April 30, 2020 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated October 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Leon, McDonnell & Roberts
Professional Association*

September 8, 2021
North Conway, New Hampshire

MOUNT WASHINGTON OBSERVATORY, INC.

**STATEMENT OF FINANCIAL POSITION
APRIL 30, 2021
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

<u>ASSETS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2021 TOTALS</u>	<u>SUMMARIZED 2020 TOTALS</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 344,089	\$ 308,446	\$ 652,535	\$ 135,990
Accounts receivable	43,636	-	43,636	51,316
Current portion of unconditional promises to give	-	-	-	50,000
Inventories	53,669	-	53,669	43,614
Investments	2,304,412	1,063,988	3,368,400	2,824,240
Prepaid expenses	17,687	-	17,687	7,727
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	2,763,493	1,372,434	4,135,927	3,112,887
PROPERTY AND EQUIPMENT, NET	<hr/>	<hr/>	<hr/>	<hr/>
	1,140,520	-	1,140,520	1,332,553
Total assets	<u>\$ 3,904,013</u>	<u>\$ 1,372,434</u>	<u>\$ 5,276,447</u>	<u>\$ 4,445,440</u>
	<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES				
Accounts payable	\$ 8,608	\$ -	\$ 8,608	\$ 25,872
Accrued expenses	95,664	-	95,664	81,639
Refundable advances	47,169	-	47,169	48,107
Demand note payable	-	-	-	128,000
Current portion of long term debt	51,007	-	51,007	78,818
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	202,448	-	202,448	362,436
LONG TERM LIABILITIES				
Paycheck Protection Program loan	210,000	-	210,000	-
Economic Injury Disaster Loan	149,900	-	149,900	-
Long term debt, net of current portion shown above	532,675	-	532,675	581,033
	<hr/>	<hr/>	<hr/>	<hr/>
Total long term liabilities	892,575	-	892,575	581,033
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	1,095,023	-	1,095,023	943,469
NET ASSETS				
Net assets without donor restrictions	2,808,990	-	2,808,990	2,516,585
Net assets with donor restrictions	<hr/>	1,372,434	1,372,434	985,386
Total net assets	<hr/>	<hr/>	<hr/>	<hr/>
	2,808,990	1,372,434	4,181,424	3,501,971
Total liabilities and net assets	<u>\$ 3,904,013</u>	<u>\$ 1,372,434</u>	<u>\$ 5,276,447</u>	<u>\$ 4,445,440</u>

See Notes to Financial Statements

MOUNT WASHINGTON OBSERVATORY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2021
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2021 TOTALS</u>	<u>SUMMARIZED 2020 TOTALS</u>
REVENUES, GAINS AND OTHER SUPPORT				
Fundraising				
Contributions	\$ 161,664	\$ 282,222	\$ 443,886	\$ 401,269
Contributions - major gifts and bequests	10,000	-	10,000	-
Events	129,145	-	129,145	182,913
Membership dues	270,506	-	270,506	267,766
Grants from Government Agencies	51,479	-	51,479	51,613
Program Services				
Program service fees	264,056	-	264,056	316,949
Sale of merchandise (net of cost of sales of \$13,487 and \$146,698 for 2021 and 2020, respectively)	430	-	430	184,727
Museum revenue	-	-	-	225,252
Other grant income	140,810	-	140,810	-
Investment income	35,956	17,518	53,474	63,422
Net unrealized and realized gain (loss) from long term investments	431,651	209,728	641,379	(33,722)
Interest income	472	-	472	334
Forgiveness of Paycheck Protection Plan loan	210,000	-	210,000	-
Other	161,689	-	161,689	122,627
Net assets released from restrictions	<u>122,420</u>	<u>(122,420)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains and other support	 <u>1,990,278</u>	 <u>387,048</u>	 <u>2,377,326</u>	 <u>1,783,150</u>
EXPENSES				
Program services	829,926	-	829,926	1,337,818
Management and general	635,856	-	635,856	470,323
Fundraising	14,557	-	14,557	228,198
Membership and development	<u>217,534</u>	<u>-</u>	<u>217,534</u>	<u>92,604</u>
 Total expenses	 <u>1,697,873</u>	 <u>-</u>	 <u>1,697,873</u>	 <u>2,128,943</u>
 CHANGE IN NET ASSETS	 292,405	 387,048	 679,453	 (345,793)
 NET ASSETS, BEGINNING OF YEAR	 <u>2,516,585</u>	 <u>985,386</u>	 <u>3,501,971</u>	 <u>3,847,764</u>
 NET ASSETS, END OF YEAR	 <u>\$ 2,808,990</u>	 <u>\$ 1,372,434</u>	 <u>\$ 4,181,424</u>	 <u>\$ 3,501,971</u>

See Notes to Financial Statements

MOUNT WASHINGTON OBSERVATORY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2021
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2021 TOTALS</u>	<u>2020 TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 292,405	\$ 387,048	\$ 679,453	\$ (345,793)
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation	242,090	-	242,090	260,593
Loss on disposal of assets	-	-	-	21,839
Net unrealized and realized (gain) loss from long term investments	(431,651)	(209,728)	(641,379)	33,722
Change in cash value of life insurance	-	-	-	85,088
(Increase) decrease in assets:				
Accounts receivable	7,680	-	7,680	(10,578)
Unconditional promises to give	50,000	-	50,000	(20,000)
Inventories	(10,055)	-	(10,055)	(1,251)
Prepaid expenses	(9,960)	-	(9,960)	16,912
Increase (decrease) in liabilities:				
Accounts payable	(17,264)	-	(17,264)	(39,957)
Accrued expenses	14,025	-	14,025	13,206
Refundable advances	(938)	-	(938)	(12,940)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>136,332</u>	<u>177,320</u>	<u>313,652</u>	<u>841</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchases and sales of investments	76,915	20,304	97,219	133,649
Purchase of property	<u>(50,057)</u>	<u>-</u>	<u>(50,057)</u>	<u>(89,056)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>26,858</u>	<u>20,304</u>	<u>47,162</u>	<u>44,593</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net repayment of demand note payable	(128,000)	-	(128,000)	(12,000)
Proceeds from Paycheck Protection Program loan	210,000	-	210,000	-
Proceeds from long term debt	149,900	-	149,900	-
Repayments of long term debt	<u>(76,169)</u>	<u>-</u>	<u>(76,169)</u>	<u>(77,686)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>155,731</u>	<u>-</u>	<u>155,731</u>	<u>(89,686)</u>
NET INCREASE (DECREASE) IN CASH	318,921	197,624	516,545	(44,252)
CASH, BEGINNING OF YEAR	<u>25,168</u>	<u>110,822</u>	<u>135,990</u>	<u>180,242</u>
CASH, END OF YEAR	<u>\$ 344,089</u>	<u>\$ 308,446</u>	<u>\$ 652,535</u>	<u>\$ 135,990</u>
SUPPLEMENTAL DISCLOSURE				
Cash paid during the year for interest	<u>\$ 27,156</u>	<u>\$ -</u>	<u>\$ 27,156</u>	<u>\$ 31,768</u>

See Notes to Financial Statements

MOUNT WASHINGTON OBSERVATORY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2021
WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>MEMBERSHIP AND DEVELOPMENT</u>	<u>2021 TOTALS</u>	<u>SUMMARIZED 2020 TOTALS</u>
Personnel costs:						
Salaries, wages, and payroll taxes	\$ 414,782	\$ 343,390	\$ -	\$ 133,392	\$ 891,564	\$ 1,157,197
Employee benefits	50,142	30,078	-	15,079	95,299	133,517
Building repairs and maintenance	78,540	26,750	-	-	105,290	138,570
Professional fees	12,228	56,834	600	16,032	85,694	57,154
Utilities	44,278	28,838	-	-	73,116	89,367
Office and general	9,800	14,394	11,569	27,415	63,178	97,969
Insurance	-	34,775	-	-	34,775	26,894
Interest	-	27,156	-	-	27,156	31,768
Computer services	5,656	9,772	2,388	5,826	23,642	37,440
Membership	-	-	-	19,790	19,790	22,388
Vehicle related expense	12,471	5,160	-	-	17,631	12,973
Property taxes	-	5,851	-	-	5,851	11,421
Travel	3,599	215	-	-	3,814	12,022
Research	3,163	-	-	-	3,163	2,713
Program expenses	1,595	-	-	-	1,595	6,268
Loss on disposal of assets	-	-	-	-	-	21,839
Small equipment	-	-	-	-	-	4,631
Other	-	4,225	-	-	4,225	4,219
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	636,254	587,438	14,557	217,534	1,455,783	1,868,350
Depreciation	<hr/> 193,672	<hr/> 48,418	<hr/> -	<hr/> -	<hr/> 242,090	<hr/> 260,593
Total functional expenses	<hr/> <u>\$ 829,926</u>	<hr/> <u>\$ 635,856</u>	<hr/> <u>\$ 14,557</u>	<hr/> <u>\$ 217,534</u>	<hr/> <u>\$ 1,697,873</u>	<hr/> <u>\$ 2,128,943</u>

See Notes to Financial Statements

MOUNT WASHINGTON OBSERVATORY, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED APRIL 30, 2021 AND 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mount Washington Observatory, Inc. (the Observatory) is a New Hampshire nonprofit corporation organized to advance understanding of the Earth's natural systems by maintaining its mountaintop weather station, conducting research and educational programs and interpreting the heritage of the Mount Washington region.

Basis of Accounting

The financial statements of the Observatory have been prepared on the accrual basis of accounting.

Estimates

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. Actual results could differ from those estimates.

Basis of Presentation

The financial statements of the Observatory have been prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications. The classes of net assets are determined by the presence or absence of donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Board designated net assets without donor restrictions consist of cash and investments which are to be used only with a specific vote of the board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Observatory. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

As of April 30, 2021 and 2020, the Observatory had net assets with donor restrictions and net assets without donor restrictions.

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 Observatory's

financial statements for the year ended April 30, 2020, from which the summarized information was derived.

Contributions

Not-for-profit organizations are required to account for contributions received as without donor restrictions or with donor restrictions depending on the existence and/or nature of any restrictions imposed by the donor. All donor restricted support is reported as an increase in net assets with donor restrictions. The Observatory records contributions with donor restrictions whose restrictions are met in the same reporting period in which they were received as support without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The Observatory has classified any cash or money market accounts held by external investment managers as investments as these funds are not readily available for operations.

Accounts Receivable

Accounts receivable consists primarily of grants receivable from various public and nonprofit organizations and corporate sponsorships. At April 30, 2021 and 2020, accounts receivable were considered fully collectable, and therefore, no provisions for bad debts have been made in these financial statements. The Observatory has no policy for charging interest on overdue accounts nor are its accounts receivable pledged as collateral, except as disclosed in Note 9.

Inventories

Inventories of museum gift shop items for resale at the summit and the Weather Discovery Center are stated at the lower of cost or market on a first-in, first-out basis.

Cash value of life insurance

The surrender value of life insurance is valued at the cash value guaranteed to policyowner upon cancellation of the life insurance policy. The surrender value is the value of investments less any surrender charges. During the year ending April 30, 2020, the Organization surrendered the policy, resulting in no cash value of life insurance at April 30, 2021 and 2020.

Investments

Investments are accounted for according to Accounting Standards Codification (ASC) 958-320 *Not For Profit Entities – Investments – Debt and Equity Securities*. Under ASC 958-320, investments in marketable securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Compensated Absences

The Observatory has accrued a liability for future compensated leave time that its employees have earned and which is vested with the employees.

Advertising

The Observatory expenses advertising costs as incurred.

Museum and Library Collections

Collection items acquired by donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statement of Activities.

Property and Depreciation

Property and equipment are recorded at cost or, if contributed, at estimated fair value as of the date of contribution. The Observatory follows the policy of charging to expense annual amounts of depreciation, which allocates the cost of the related assets over their estimated useful lives. The Observatory employs the straight-line method for determining the annual charge for depreciation. The range of the estimated useful lives used is as follows:

Building and improvements	10 - 31.5 years
Furniture, fixtures, equipment and vehicles	5 - 7 years

Costs for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related depreciation allowances, and any gain or loss is recognized.

Income Taxes

The Observatory is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Observatory qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation.

Management has evaluated the Observatory's tax positions and concluded that the Observatory has maintained its tax-exempt status and has taken no uncertain tax positions that would require adjustment to the financial statements. With few exceptions, the Observatory is no longer subject to income tax examinations by the United States Federal or State tax authorities prior to 2018.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Functional expenses are classified by the type of activity for which expenses are incurred, such as management and general, fundraising and direct program costs. Expenses are allocated by function using a reasonable and consistent approach that is primarily based on function and use.

New Accounting Pronouncement

During the year, the Observatory adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the

transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending April 30, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

2. DONATION OF GOODS AND SERVICES

The Observatory records the value of donated goods or services when there is an objective basis available to measure their value. Donated equipment and materials are reported as contributions in the accompanying statements at their estimated values at date of donation. No amounts have been reflected in the statements for donated services, as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time to the Observatory's work and program services.

3. AVAILABILITY AND LIQUIDITY

The following represents the Observatory's financial assets as of April 30, 2021 and 2020:

Financial assets at year-end:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 652,535	\$ 135,990
Accounts receivable	43,636	51,316
Promises to give	-	50,000
Investments	<u>3,368,400</u>	<u>2,824,240</u>
Total financial assets	<u>4,064,571</u>	<u>3,061,546</u>
Less amounts not available to be used within one year:		
Investments with donor restrictions	1,063,988	874,564
Cash and cash equivalents with donor restrictions	<u>308,446</u>	<u>110,822</u>
Amounts not available within one year	<u>1,372,434</u>	<u>985,386</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,692,137</u>	<u>\$ 2,076,160</u>

The Observatory's goal is generally to maintain financial assets to meet 60 days of operating expenses.

4. **PROPERTY AND DEPRECIATION**

As of April 30, 2021 and 2020 property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 2,842,357	\$ 2,842,357
Furniture, fixtures and equipment	1,671,763	1,670,683
Leasehold improvements	1,032,670	1,032,670
Vehicles	<u>244,689</u>	<u>195,713</u>
Total property	5,791,479	5,741,423
Less accumulated depreciation	<u>4,650,959</u>	<u>4,408,870</u>
Property and equipment, net	<u>\$ 1,140,520</u>	<u>\$ 1,332,553</u>

The value of the museum and library collections is not reflected in these financial statements, as they are not intended to be sold.

Depreciation expense totaled \$242,090 and \$260,593 for the years ended April 30, 2021 and 2020, respectively.

5. **INVESTMENTS**

Investments at April 30, 2021 and 2020 consisted of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
<u>Investments:</u>				
Money market funds	\$ 364,617	\$ 364,617	\$ 362,368	\$ 362,368
Mutual funds	<u>3,003,783</u>	<u>2,432,928</u>	<u>2,461,872</u>	<u>2,495,266</u>
Total	<u>\$ 3,368,400</u>	<u>\$ 2,797,545</u>	<u>\$ 2,824,240</u>	<u>\$ 2,857,634</u>

6. **FAIR VALUE MEASUREMENTS**

As defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measures and Disclosures*, fair value is 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. The Observatory utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. Fair value is a market based measurement, not an entity-specific measurement. Therefore, the Observatory uses assumptions that market participants would use in pricing the asset or liability.

The Observatory's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. The three levels of fair value hierarchy are as follows:

Level 1 – Financial assets and liabilities whose values are based on quoted prices for identical assets or liabilities in an active market the Observatory has the ability to access.

Level 2 - Financial assets and liabilities whose values are on observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; pricing models whose inputs are observable for substantially the full term of the asset or liability; and pricing models whose inputs are derived principally from, or corroborated by, observable market data. Level 2 assets also include investment funds that: (1) do not have a readily determinable fair value but meet other criteria; and (2) have a net asset value per share, or its equivalent, that is provided by the fund manager at the measurement date.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date. Management uses inputs that reflect assumptions a market participant would use on pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at April 30, 2021 and 2020.

Mutual Funds: All actively traded mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. All mutual funds held by the Observatory are open-end mutual funds that are registered with the Securities and Exchange Commission.

The following table sets forth by level, within the fair value hierarchy, the Observatory's assets as of April 30, 2021 and 2020.

	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 364,617	\$ -	\$ -	\$ 364,617
Mutual funds	<u>3,003,783</u>	<u>-</u>	<u>-</u>	<u>3,003,783</u>
	<u>\$ 3,368,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,368,400</u>

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 362,368	\$ -	\$ -	\$ 362,368
Mutual funds	<u>2,461,872</u>	<u>-</u>	<u>-</u>	<u>2,461,872</u>
	<u>\$ 2,824,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,824,240</u>

7. ENDOWMENT FUNDS

The Board of Trustees of the Observatory has interpreted the State Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Observatory classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Act, the Observatory considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Observatory, and (7) the Observatory's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Observatory has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result

in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. Therefore, the Observatory expects its endowment assets, over time, to produce an average rate of return (net of inflation and investment fees) of approximately 3.0% and 5.0% annually for years ended April 30, 2021 and 2020, respectively.

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Observatory has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters, unless a higher amount is approved by the Board of Trustees. If the value of the portfolio increases more than 20% from an additional contribution, 5% of the average market value of the endowment over the trailing 4 quarters may be transferred to the operating account. In establishing this policy, the Observatory considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Observatory expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4.5% annually. This is consistent with the Observatory's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

8. LONG TERM DEBT

The long term debt of the Observatory as of April 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
<p>4.5% note payable to a bank. Monthly installments for principal and interest of \$6,913 through February 2023 and \$6,875 through May 2029. During March 2021, the note was refinanced, and the original interest rate of 4.5% has been reduced to 3.5% fixed through the remainder of the note. The original maturity of May 2029 is extended through March 2031. Under the note, the lender agrees to advance an additional sum of \$300,000, which will be added to the principal balance under the note, for improvements to the Observatory's property. The monthly installments of principal and interest have been adjusted to \$4,306 commencing in April 2021 until maturity. The note is collateralized by real estate owned by the Observatory.</p>	\$ 552,735	\$ 607,040

1% note payable to the New Hampshire Health and Education Facilities Authority in monthly installments for principal and interest of \$2,222 through May 2022.	<u>30,947</u>	<u>52,811</u>
	583,682	659,851
Less current portion due within one year	<u>51,007</u>	<u>78,818</u>
Total long term debt	<u>\$ 532,675</u>	<u>\$ 581,033</u>

The scheduled maturities of the long term debt as of April 30, 2021 were as follows:

Year Ending April 30,	Amount
2022	\$ 51,007
2023	38,190
2024	34,921
2025	36,163
2026	37,449
Thereafter	<u>385,952</u>
	<u>\$ 583,682</u>

9. DEMAND NOTE PAYABLE

The Observatory maintains a revolving line of credit with a bank. The revolving line of credit provides for maximum borrowings up to \$200,000 and is renewable annually. The revolving line of credit has a scheduled maturity date of March 28, 2022 and is collateralized by all the business assets of the Observatory. At April 30, 2021 and 2020, interest was stated at the prime rate as published by the Wall Street Journal which resulted in an interest rate of 3.25%.

10. NET ASSETS WITH DONOR RESTRICTIONS

As discussed in Note 2, not-for-profit organizations are required to account for contributions received as without donor restrictions or with donor restrictions depending on the existence and/or nature of any restrictions imposed by the donor. As of April 30, 2021 and 2020, net assets with donor restrictions were as follows:

	<u>2021</u>	<u>2020</u>
Summit Museum Capital	\$ 1,397	\$ 1,397
Charitable gift annuities	157,130	129,733
Billings fund	307,021	109,397
Research position	26	26
Edward Everett Fund	362,790	294,789
Gladys Brooks Fund	295,320	244,283
Robert Lowell Putnam Fund	104,896	86,768
JB Roberts Fund	88,629	73,312
Mack Beal Fund	33,951	28,084
SF Spaulding Fund	18,879	15,616
Stoney Morrell Education Fund	<u>2,395</u>	<u>1,981</u>
Total	<u>\$ 1,372,434</u>	<u>\$ 985,386</u>

11. LEASE

The Observatory has the right from the State of New Hampshire to occupy and maintain for scientific purposes, a portion of the Sherman Adams Building located on the Summit of Mount Washington specifically designed and constructed for a working observatory, museum, educational, and living facilities.

Under the terms of the five-year lease through September 30, 2019, the Observatory will pay a base rent of one dollar per year plus an additional annual rental amount of \$45,000 for the first year of the lease and \$60,000 annually for each subsequent lease year. As of September 8, 2021, the date the financial statements were available to be issued, negotiations for new lease terms are still ongoing and until a new lease is signed, the Organizations are continuing under the terms of the expired lease. The rent paid for each of the fiscal years ended April 30, 2021 and 2020 totaled \$60,000. Heat and utilities are paid directly to the State of New Hampshire. Electricity is paid at a rate set by the State of New Hampshire, and the total for the years ended April 30, 2021 and 2020 was \$29,923 and \$33,388, respectively, at a prevailing rate of \$0.55/kwh. Heating oil totaled \$12,378 and \$11,505 for the years ended April 30, 2021 and 2020, respectively, at a prevailing rate of \$4.00/gallon.

Additional payments to the State of New Hampshire were made according to the terms of the lease:

- The Observatory is also obligated to pay the State of New Hampshire a 5% commission on retail sales, education programs, tours, research contract, product testing, contract services for services performed or materials sold on the summit. For the years ended April 30, 2021 and 2020, those commissions totaled \$3,355 and \$19,963, respectively.

- With respect to Mount Washington Museum admission fees, the first \$120,000 earned annually is retained by the Observatory. Any amount in excess of \$120,000 shall be divided equally between the State of New Hampshire to be deposited into RSA 227-B:9 Mount Washington Fund and Mount Washington Observatory's restricted museum maintenance fund. For the year ended April 30, 2020, the State of New Hampshire's share totaled \$35,900. For the year ended April 30, 2021, the State of New Hampshire received no share.

12. OPERATING LEASE

During 2018, the Organization entered into a 36 month lease agreement for a vehicle. Lease payments for each of the years ended April 30, 2021 and 2020 totaled \$3,336. The scheduled operating lease payments for the year ending April 30, 2022 were \$2,224 as of April 30, 2021.

13. RETIREMENT PLAN

The Observatory maintains a retirement plan defined under Section 403(b) of the Internal Revenue Code covering substantially all full-time employees with two years or more of service. The maximum contribution by the employee is limited by federal tax law, and the employer contribution is three percent of the employee's salary. For the years ended April 30, 2021 and 2020, the Observatory's contribution totaled \$15,059 and \$21,474 respectively.

14. CONCENTRATION OF CREDIT RISK

The Observatory maintains cash balances that, at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at April 30, 2021 and 2020. The Observatory has not experienced any losses in such accounts and believes it is not exposed to any significant risk with these accounts.

15. BOARD DESIGNATED NET ASSETS

Board designated net assets represent unrestricted donations plus their market appreciation. Investment income shall be used for operations in accordance with the spending rule of the Observatory's investment policy. At April 30, 2021 and 2020, board designated net assets were \$2,304,412 and \$1,949,676, respectively.

16. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give represent promises to give, which have been made by donors but have not yet been received by the Observatory. Pledges, which will not be received in the subsequent year, are discounted using an estimated rate of return, which could be earned if such contributions had been made in the current year. The Observatory considers unconditional promises to give fully collectible; accordingly, no allowance for uncollectible promises to give has been recorded. Promises to give that are due in more than one year are discounted at 3%. There were no unconditional promises to give at April 30, 2021. At April 30, 2020, unconditional promises to give were \$50,000.

17. PAYCHECK PROTECTION PROGRAM

During April 2020, the Organization received loan proceeds in the amount of \$210,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides loans for qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purpose, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The Organization has used the proceeds for purposes consistent with the PPP and the first draw of the PPP loan has been forgiven in full. Therefore, forgiveness of the loan totaling \$210,000 has been recognized on the Statement of Activities for the year ended April 30, 2021.

During January 2021, the Organization received loan proceeds in the amount of \$210,000 from a second draw of a PPP loan. This has been recorded as a liability on the Statement of Financial Position as of April 30, 2021. The Organization expects to use the proceeds for purposes consistent with the PPP.

18. ECONOMIC INJURY DISASTER LOAN

During July 2020, the Organization received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration with proceeds in the amount of \$150,000. The EIDL is payable over 30 years at an interest rate of 2.75% with a deferral of payments for one year from the date of the note. The Organization also received an EIDL advance of \$10,000 during the year ended April 30, 2021. These proceeds were recorded as other income.

The scheduled maturities of the EIDL as of April 30, 2021 were as follows:

Year Ending <u>April 30,</u>	<u>Amount</u>
2022	\$ 881
2023	3,587
2024	3,687
2025	3,790
2026	3,895
Thereafter	<u>134,060</u>
	<u>\$ 149,900</u>

19. RECLASSIFICATIONS

Certain items from the 2020 financial statements have been reclassified in order to enhance the comparability to the 2021 financial statements.

20. OTHER EVENTS

The impact of the novel coronavirus (COVID-19) and measures to prevent its spread are affecting many businesses. The significance of the impact of these disruptions, including the extent of their adverse impact on the Observatory's financial and operational results, will be dictated by the length of time that such disruptions continue, and, in turn, will depend on the currently unknowable duration of the COVID-19 pandemic and the impact of governmental regulations that might be imposed in response to the pandemic. The COVID-19 impact on the capital markets could impact the Observatory's cost of borrowing. There are certain limitations on the Observatory's ability to mitigate the adverse financial impact of these items. COVID-19 also makes it more challenging for management to estimate future performance of the businesses, particularly over the near to medium term.

21. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date, but arose after that date. Management has evaluated subsequent events through September 8, 2021, the date the April 30, 2021 financial statements were available for issuance.