

Mount Washington Observatory

Financial Statements

For the 12-month Period Ended March 31, 2023 and
the 11-month Period Ended March 31, 2022

A large, abstract, light gray geometric graphic consisting of several overlapping planes and facets, resembling a stylized mountain peak or a modern architectural structure, is positioned on the left side of the page.

WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Mount Washington Observatory (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the twelve-month and eleven-month periods 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 Mount Washington Observatory as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the twelve-month and eleven-month periods then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mount Washington Observatory and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with GAAP, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Washington Observatory's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 Mount Washington Observatory'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mount Washington Observatory'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.



Wipfli LLP

Bedford, New Hampshire
October 17, 2023

Mount Washington Observatory

Statements of Financial Position

<i>March 31,</i>	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 725,026	\$ 703,586
Other receivables	41,686	28,116
Grants receivable	379,736	457,226
Accrued interest receivable	29,104	-
Bequest receivable	4,000,000	-
Prepaid expenses	7,901	12,062
Inventory	81,899	36,243
Investments	143,379	143,557
Total current assets	5,408,731	1,380,790
Property and equipment, net	1,165,825	1,230,112
Other assets:		
Right of use asset - operating lease	88,222	-
Investments	3,243,834	3,067,321
Total other assets	3,332,056	3,067,321
TOTAL ASSETS	\$ 9,906,612	\$ 5,678,223

Mount Washington Observatory

Statements of Financial Position (Continued)

<i>March 31,</i>	2023	2022
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 58,395	\$ 35,454
Accrued payroll expenses	82,424	67,577
Notes payable, current portion	23,606	32,313
Current portion of lease liability - operating	58,443	-
Obligations under charitable gift annuities, current portion	6,933	4,225
Deferred income	35,694	26,940
Total current liabilities	265,495	166,509
Notes payable, net of current portion	925,684	946,578
Lease liability - operating, net of current portion	29,779	-
Obligations under charitable gift annuities, net of current portion	48,700	63,809
Total long-term liabilities	1,004,163	1,010,387
Total liabilities	1,269,658	1,176,896
Net assets:		
Without donor restrictions	7,787,860	3,587,657
With donor restrictions	849,094	913,670
Total net assets	8,636,954	4,501,327
TOTAL LIABILITIES AND NET ASSETS	\$ 9,906,612	\$ 5,678,223

See accompanying notes to financial statements.

Mount Washington Observatory

Statement of Activities

<i>For the 12-Month Period Ended March 31, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 257,833	\$ 35,957	\$ 293,790
Contributions - major gifts and bequests	4,533,333	-	4,533,333
Fundraising events	173,944	-	173,944
Membership dues	436,717	-	436,717
Museum donations and admissions	86,374	-	86,374
Grant revenue	331,216	-	331,216
Total contribution revenue	5,819,417	35,957	5,855,374
Program revenue	92,018	-	92,018
Sale of merchandise, net of cost of sales	96,940	-	96,940
Investment income, net	(24,964)	(42,436)	(67,400)
Rental revenue	206,551	-	206,551
Other revenue	3,174	-	3,174
Gain on sale of assets	900	-	900
Net assets released from restrictions	58,097	(58,097)	-
Total revenue and support	6,252,133	(64,576)	6,187,557
Expenses:			
Program	1,332,862	-	1,332,862
Management and general	340,872	-	340,872
Membership and development	378,196	-	378,196
Total expenses	2,051,930	-	2,051,930
Change in net assets	4,200,203	(64,576)	4,135,627
Net assets - Beginning of year	3,587,657	913,670	4,501,327
Net assets - End of year	\$ 7,787,860	\$ 849,094	\$ 8,636,954

See accompanying notes to financial statements.

Mount Washington Observatory

Statement of Activities

<i>For the 11-Month Period Ended March 31, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 381,971	\$ -	\$ 381,971
Fundraising events	161,813	-	161,813
Membership dues	275,387	-	275,387
Museum donations and admissions	86,274	-	86,274
Grant revenue	656,358	-	656,358
Total contribution revenue	1,561,803	-	1,561,803
Program revenue	21,288	-	21,288
Research and product development revenue	35,000	-	35,000
Sale of merchandise, net of cost of sales	101,806	-	101,806
Investment income, net	(12,053)	(4,675)	(16,728)
Rental revenue	194,449	-	194,449
Other revenue	15,563	-	15,563
Gain on sale of assets	5,000	-	5,000
Net assets released from restrictions	36,100	(36,100)	-
Total revenue and support	1,958,956	(40,775)	1,918,181
Expenses:			
Program	1,022,383	-	1,022,383
Management and general	417,949	-	417,949
Membership and development	295,609	-	295,609
Total expenses	1,735,941	-	1,735,941
Other income:			
Forgiveness of Paycheck Protection Program loan	210,000	-	210,000
Change in net assets	433,015	(40,775)	392,240
Net assets - Beginning of year	3,154,642	954,445	4,109,087
Net assets - End of year	\$ 3,587,657	\$ 913,670	\$ 4,501,327

See accompanying notes to financial statements.

Mount Washington Observatory

Statement of Functional Expenses

<i>For the 12-Month Period Ended March 31, 2023</i>	Program			Management and General	Membership and Development	Total Expenses
	Research and Education	Retail	Total Program			
Salaries, wages and payroll taxes	\$ 665,633	\$ 75,757	\$ 741,390	\$ 61,287	\$ 241,650	\$ 1,044,327
Employee benefits	90,435	3,271	93,706	4,878	31,977	130,561
Total salaries, wages, payroll taxes, and employee benefits	756,068	79,028	835,096	66,165	273,627	1,174,888
Building repairs and maintenance	24,810	2,015	26,825	9,067	2,997	38,889
Rent	64,303	10,083	74,386	-	-	74,386
Cost of sales	-	134,162	134,162	-	-	134,162
Advertising	1,595	-	1,595	550	3,006	5,151
Professional fees	11,824	77	11,901	121,473	700	134,074
Conferences	3,368	-	3,368	2,824	150	6,342
Utilities	48,243	478	48,721	2,153	711	51,585
Office and general	41,200	9,789	50,989	10,441	57,413	118,843
Insurance	23,364	2,030	25,394	9,136	3,020	37,550
Interest	20,280	1,762	22,042	7,930	2,621	32,593
Computer services	2,310	1,722	4,032	14,144	11,256	29,432
Membership	-	1,050	1,050	63	-	1,113
Property taxes	6,974	606	7,580	2,727	902	11,209
Travel	36,629	-	36,629	5,794	-	42,423
Research	3,120	-	3,120	-	-	3,120
Program	1,578	-	1,578	262	-	1,840
Special events	-	-	-	-	556	556
Income tax	-	-	-	23,902	-	23,902
Depreciation	164,283	14,273	178,556	64,241	21,237	264,034
Subtotals	1,209,949	257,075	1,467,024	340,872	378,196	2,186,092
Less expenses included with revenue and support on the statement of activities:						
Retail cost of sales	-	(134,162)	(134,162)	-	-	(134,162)
Totals	\$ 1,209,949	\$ 122,913	\$ 1,332,862	\$ 340,872	\$ 378,196	\$ 2,051,930

See accompanying notes to financial statements.

Mount Washington Observatory

Statement of Functional Expenses

<i>For the 11-Month Period Ended March 31, 2022</i>	Program			Management and General	Membership and Development	Total Expenses
	Research and Education	Retail	Total Program			
Salaries, wages and payroll taxes	\$ 463,295	\$ 45,612	\$ 508,907	\$ 211,616	\$ 158,455	\$ 878,978
Employee benefits	52,267	1,217	53,484	20,796	16,374	90,654
Total salaries, wages, payroll taxes, and employee benefits	515,562	46,829	562,391	232,412	174,829	969,632
Building repairs and maintenance	25,742	2,074	27,816	9,335	3,086	40,237
Rent	55,611	9,008	64,619	2,400	-	67,019
Cost of sales	-	97,482	97,482	-	-	97,482
Advertising	-	-	-	-	3,452	3,452
Professional fees	22,344	77	22,421	88,147	2,318	112,886
Conferences	2,500	-	2,500	-	-	2,500
Utilities	50,915	823	51,738	3,705	1,225	56,668
Office and general	35,586	8,610	44,196	8,188	47,860	100,244
Insurance	22,831	1,983	24,814	8,927	2,951	36,692
Interest	19,620	1,705	21,325	7,672	2,536	31,533
Computer services	3,588	1,172	4,760	10,941	20,403	36,104
Membership	-	-	-	-	16,098	16,098
Property taxes	3,640	316	3,956	1,423	471	5,850
Travel	9,954	-	9,954	3,702	-	13,656
Research	7,337	-	7,337	-	-	7,337
Program	3,201	-	3,201	-	-	3,201
Depreciation	157,658	13,697	171,355	41,097	20,380	232,832
Subtotals	936,089	183,776	1,119,865	417,949	295,609	1,833,423
Less expenses included with revenue and support on the statement of activities:						
Retail cost of sales	-	(97,482)	(97,482)	-	-	(97,482)
Totals	\$ 936,089	\$ 86,294	\$ 1,022,383	\$ 417,949	\$ 295,609	\$ 1,735,941

See accompanying notes to financial statements.

Mount Washington Observatory

Statement of Cash Flows

	For the 12- month period ended March 31, 2023	For the 11- month period ended March 31, 2022
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Cash flows from operating activities:		
Change in net assets	\$ 4,135,627	\$ 392,240
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Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	264,034	232,832
Non-cash right of use asset - operating lease expense	56,984	-
Forgiveness of Paycheck Protection Program loan	-	(210,000)
Gain on sale of assets	(900)	(5,000)
Reinvested investment income	(67,204)	(55,806)
Net unrealized and realized (gain) loss on investments	173,978	72,929
(Increase) decrease in assets:		
Other receivables	(13,570)	15,520
Grants receivable	77,490	(457,226)
Accrued interest receivable	(29,104)	-
Bequest receivable	(4,000,000)	-
Prepaid expenses	4,161	5,625
Inventory	(45,656)	17,426
Increase (decrease) in liabilities:		
Accounts payable	22,941	6,103
Accrued payroll expenses	14,847	(7,344)
Lease liability - operating	(56,984)	-
Obligations under charitable gift annuities	(12,401)	(4,303)
Deferred income	8,754	(20,229)
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Total adjustments	(3,602,630)	(409,473)
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Net cash from operating activities	532,997	(17,233)
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Cash flows from investing activities:		
Purchases of property and equipment	(199,747)	(322,424)
Proceeds from sale of property and equipment	900	5,000
Purchase of investments	(426,666)	-
Proceeds from sale of investments	143,557	140,399
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Net cash from investing activities	(481,956)	(177,025)
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Mount Washington Observatory

Statement of Cash Flows (Continued)

	For the 12 months ended March 31, 2023	For the 11 months ended March 31, 2022
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Cash flows from financing activities:		
Borrowings on notes payable	-	292,804
Payments on notes payable	(29,601)	(47,495)
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Net cash from financing activities	(29,601)	245,309
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Net change in cash and cash equivalents	21,440	51,051
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Cash and cash equivalents - Beginning of year	703,586	652,535
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Cash and cash equivalents - End of year	\$ 725,026	\$ 703,586
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Supplemental disclosures and non-cash activity:		
Interest paid	\$ 31,331	\$ 24,314
Income tax paid	\$ 23,902	\$ -

See accompanying notes to financial statements.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Mount Washington Observatory (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; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Observatory considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The Observatory has classified any cash or money market accounts held in the investment accounts as investments as these funds are not readily available for operations.

The Observatory maintains its cash in bank accounts which at times exceeds the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Observatory has not experienced any losses in such accounts in the past and believes it is not exposed to any significant credit risk.

Grants Receivable

Grants receivable arise in the normal course of operations and consist of amounts due from funders under various grants and contracts. Management reviews the outstanding grants receivable and establishes an allowance for uncollectible accounts based on specific contract circumstances. Delinquency status is determined based on contractual terms. The Observatory does not require collateral for the extension of credit. Management has determined that no allowance for uncollectible accounts is deemed necessary at March 31, 2023 and 2022.

Inventory

Inventory consists primarily of museum gift shop items for resale at the summit. Inventory is valued at the lower of cost or net realizable value with cost determined on the first-in, first-out basis.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Fixed assets are capitalized at cost, if purchased, or at their estimated fair value, if the assets are donated. Assets with a useful life in excess of one year and costing over \$1,000 are capitalized. Lesser amounts are charged to operations. Depreciation is provided for on the straight-line method, by charges to income in amounts estimated to amortize the cost or donated value of the assets over their estimated useful lives.

Depreciation expense for the 12-month period ended March 31, 2023, and the 11-month period ended March 31, 2022 was \$264,034 and \$232,832, respectively.

Gifts of capital assets, such as land, buildings, or equipment are reported as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed in service.

The Observatory periodically evaluates whether events and circumstances have occurred that may affect the carrying value of property and equipment. If such events or circumstances indicate the carrying value may not be recoverable, impairment is determined by comparing the carrying value with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Observatory would recognize an impairment loss.

Investments

Investments in marketable securities are valued at fair value in the statement of financial position. The measurement of fair value is made using the fair value hierarchy under current accounting standards (Note 4).

Net investment return is reported in the statements of activities and consists of interest and dividend income and net realized and unrealized gains and losses, net of investment fees. Interest and dividend income is recorded on the accrual basis. For purposes of determining realized gains and losses, the cost of securities sold is determined using the specific identification method and is recorded on a trade-date basis.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Charitable Gift Annuities

Under charitable gift annuity contracts, the Observatory receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the life of the donors. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Net Assets

The financial statements of the Observatory have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires the Observatory to report information regarding its financial position and activities according to the following net asset classifications. The classes for net assets are determined by the presence or absence of donor restrictions.

Net assets without donor restrictions: Net assets 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 stipulated the funds be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.

An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised if the condition is not met.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant agreement.

Grant awards that are contributions: Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions: Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. There were no grant awards that were considered exchange transactions during the 12-month period ended March 31, 2023 or the 11-month period ended March 31, 2022.

Program Revenue

Program revenue is recognized in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). Program revenue consists of amounts received from members and the public in exchange for classroom programs, speaking engagements, workshops, professional development programs for teachers looking to expand their working knowledge of weather and climate, and exclusive day and overnight trips to the mountaintop weather station. Program fees are typically paid at registration, but occasionally at the time of the programs, particularly for speaking engagements and workshops. The performance obligation is to provide weather and climate educational programming and accommodations for overnight educational trips. Program revenue is recognized upon satisfaction of the performance obligations at the price set for the specific program. Program revenue is recognized over time as the customers are simultaneously receiving and consuming the benefits which in the case of these services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. Any amounts received in advance of the program are recorded as deferred revenue.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

Research and Product Development Revenue

Research and product development revenue consists of amounts received from customers in exchange for agreed-upon services or products and is recognized over time in accordance with ASC 606. Revenue is recognized as performance under the contract progresses based on an input method of labor hours. The contracts typically have one performance obligation as outlined in the statement of work. Any amounts earned but not received are recorded as receivable. Invoices are typically due within 30 days of invoice date.

Sales of Merchandise

Merchandise sales consist of amounts received from customers for sales made in the gift shop and online. Revenue from the sales of merchandise is recognized in accordance with ASC 606. Revenue is recognized upon satisfaction of all contractual performance obligations and is measured at the amount of consideration to which the Observatory expects to be entitled to for the corresponding merchandise. Substantially all of the sales are single performance obligation arrangements with the transaction price being the stand-alone selling price of each item. Revenue is recognized at a point in time, which occurs at the point of sale, when the customer receives and pays for the purchased goods.

Rental Revenue

Rental revenues are reported and recognized in accordance with Accounting Standards Codification, or ASC, Topic 842, Leases, using a method for revenue recognition that represents a straight-line basis over the term of the lease. Rent revenue is recognized in the period in which it is earned. Any amounts received for future periods are reported as deferred income.

Revenues and cash flows are impacted by factors such as the local economy and tourism, billing terms, the timing of the program delivery and the completion of research or labor performed under contracts or grant agreements.

Other receivables for all revenue sources were \$41,686 as of March 31, 2023, and \$28,116 as of March 31, 2022, respectively. Other receivables for all revenue sources as of May 1, 2021 were \$11,013.

Lease Accounting

The Observatory leases space from the State of New Hampshire (Note 12). The right-of-use (ROU) asset and lease liability are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Observatory has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate since the implicit rate in the lease contract is not readily determinable.

For all underlying classes of assets, the Observatory has elected to not recognize right-of-use (ROU) assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Observatory is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause or significant penalty and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Observatory recognizes short-term lease cost on a straight-line basis over the lease term.

Income Taxes

The Observatory is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Observatory's tax-exempt purpose is subject to taxation. 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.

The Observatory incurs unrelated business income tax on its rental activities since the property rented is debt-financed. The total income tax expense for the 12-month period ended March 31, 2023 was \$23,902. There was no unrelated business income tax for the 11-month period ended March 31, 2022.

The Observatory assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. Management has determined that through March 31, 2023, the Observatory did not take any material tax positions which do not meet the criteria for recognition.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, wages, payroll taxes and benefits are allocated on the basis of estimates of time and effort. Office and occupancy costs are allocated based on square footage.

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 assets without donor restrictions 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. Any proceeds from the sale of collection items can be used for the purchase of additional collection items or the maintenance of the collection.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Observatory adopted this guidance for the 12-month period ended March 31, 2023, with modified retrospective application to April 1, 2022. The Observatory has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Observatory accounted for its existing operating leases as operating leases and capital leases as financing leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of April 1, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Observatory did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the Observatory recognized a ROU asset and lease liability for an operating lease totaling \$145,206 as of April 1, 2022.

This standard did not have a material impact on the Observatory's net assets or cash flows from operations and had an immaterial impact on the Observatory's operating results. The most significant impact was the recognition of the ROU asset and lease obligation for operating leases.

Mount Washington Observatory

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Standard

As of April 1, 2022, the Observatory adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets (Topic 958). The amendment in this update requires entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The impact of adoption was not significant to the financial statements of the Observatory as it did not receive any material contributed non-financial assets.

Upcoming Accounting Pronouncement

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, will require the Observatory to present financial assets measured at amortized cost (including trade receivables and contract assets) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. This accounting standard will be effective for financial statements issued for interim and annual periods beginning after December 15, 2022. The Observatory is evaluating what impact this new standard will have on its financial statements.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>As of March 31,</i>	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 725,026	\$ 703,586
Less: Cash with donor restrictions	(54,937)	(42,620)
Other receivables	41,686	28,116
Grants receivable	379,736	457,226
Accrued interest receivable	29,104	-
Bequest receivable	4,000,000	-
Endowment spending-rate distributions and appropriations	143,379	143,557
Financial assets available to meet general expenditures over the next twelve months	\$ 5,263,994	\$ 1,289,865

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

Mount Washington Observatory

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources (Continued)

The Observatory's investments consist of donor-restricted and board-designated endowment funds which are not available for general expenditure. As described in Note 8, the endowment funds are subject to an annual spending rate of up to 5%.

The Observatory has a revolving line of credit in the amount of \$200,000, which can be drawn upon in the event of an anticipated liquidity need. At March 31, 2023, \$200,000 was available to be drawn on the line of credit. Additionally, in the event the need for liquidity arises, the board-designated net assets totaling \$2,411,353 and \$2,163,066 as of March 31, 2023 and 2022, respectively, could be drawn upon through board resolution.

Note 3: Investments

Investments consisted of the following at March 31:

<i>March 31,</i>	2023	2022
Money market funds	\$ 364,337	\$ 310,133
Exchange traded funds	3,022,876	2,900,745
Totals	\$ 3,387,213	\$ 3,210,878

Net investment return in the statement of activities is comprised of the following for the 12-month period ended March 31, 2023 and the 11-month period ended March 31, 2022.

<i>March 31,</i>	2023	2022
Interest and dividends	\$ 106,578	\$ 56,201
Net realized and unrealized gains and (losses)	(173,978)	(72,929)
Totals	\$ (67,400)	\$ (16,728)

Note 4: Fair Value Measurements

The accounting guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy must be used to determine the fair value of the Observatory's investments and consists of three broad levels: Level 1 inputs, which have the highest priority, consist of unadjusted quoted prices in active markets for identical assets; Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or observable inputs other than quoted market prices; and Level 3 inputs, which have the lowest priority, consist of inputs that are unobservable and significant to the fair value measurement. The Observatory uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. An asset'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 must maximize the use of observable inputs and minimize the use of unobservable inputs.

Mount Washington Observatory

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, of the valuation techniques used to determine the fair value of the Observatory's investments, classified by major type:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 364,337	\$ -	\$ -	\$ 364,337
Exchange traded funds				
Bond	1,069,536	-	-	1,069,536
International equity	656,258	-	-	656,258
Large-blend equity	1,139,884	-	-	1,139,884
Emerging markets	157,198	-	-	157,198
Total investments	\$ 3,387,213	\$ -	\$ -	\$ 3,387,213
Obligations under charitable gift annuities	\$ -	\$ -	\$ (55,633)	\$ (55,633)

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 310,133	\$ -	\$ -	\$ 310,133
Exchange traded funds				
Bond	1,088,564	-	-	1,088,564
International equity	600,886	-	-	600,886
Large-blend equity	1,065,558	-	-	1,065,558
Emerging markets	145,737	-	-	145,737
Total investments	\$ 3,210,878	\$ -	\$ -	\$ 3,210,878
Obligations under charitable gift annuities	\$ -	\$ -	\$ (68,034)	\$ (68,034)

All investments have been valued using a market approach. Exchange traded funds listed or traded on any national market or exchange are valued at the last sales price as of the close of the principal securities exchange on which such securities are traded.

Liabilities have been valued using an income approach. Annuity obligations are recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of the estimated future cash outflows. For the 12-month period ended March 31, 2023, and the 11-month period ended March 31, 2022, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2020 Individual Annuity Reserving Table and discount rates of 3.48% and 2.46%, respectively, for all annuities. These rates are commensurate with the risks associated with the ultimate payment of the obligations.

Mount Washington Observatory

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

For the 12-month period ended March 31, 2023, and the 11-month period ended March 31, 2022, there were no transfers in or out of levels 2 or 3. There have been no changes in the valuation techniques and related inputs. The inputs or valuation methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Note 5: Property and Equipment

Components of property and equipment at March 31, 2023 and 2022:

<i>March 31,</i>	2023	2022
Buildings and building improvements	\$ 3,241,000	\$ 3,127,450
Furniture, fixtures and equipment	1,686,116	1,674,057
Leasehold improvements	1,032,670	1,032,670
Vehicles	314,908	250,371
Subtotal	6,274,694	6,084,548
Less: accumulated depreciation	(5,108,869)	(4,854,436)
Property and equipment, net	\$ 1,165,825	\$ 1,230,112

Note 6: Line of Credit

The Observatory has a \$200,000 revolving line of credit agreement with a bank. The line matures on March 28, 2024 and interest is payable monthly at the Wall Street Journal prime rate (8.00% and 3.50% at March 31, 2023 and 2022, respectively). There was no outstanding balance on this line of credit at March 31, 2023 and 2022.

The line of credit is cross-collateralized with the note payable to the bank (Note 7).

Mount Washington Observatory

Notes to Financial Statements

Note 7: Notes Payable

Notes payable consisted of the following at March 31:

<i>March 31,</i>	2023	2022
<p>Note payable to a bank bearing interest at a fixed rate of 3.5% through March 2031, payable in monthly installments of principal and interest of approximately \$4,300 with an approximate balloon payment of \$587,000. The note was refinanced in March 2021, at which time the original maturity was extended to May 2029 and the interest rate was reduced from 4.5%. The lender agreed to advance an additional amount of \$300,000, which will be added to the principal balance as improvements to the Observatory's property are incurred under the note. The note is collateralized by real estate owned by the Observatory, a collateral assignment of leases and rents and a first security interest in all business assets. The note is cross-collateralized with the line of credit (Note 6).</p>	\$ 799,390	\$ 822,247
<p>Note payable to the New Hampshire Health and Education Facilities Authority, paid in full in June 2022.</p>	-	6,744
<p>Note payable to the U.S. Small Business Administration for an Economic Injury Disaster Loan provided to assist with COVID-19 recovery bearing interest at 2.75% and maturing July 2050. Repayments are deferred for two years from the original loan date and will begin July 2022, at which time monthly installments of accrued interest of approximately \$640 are due. Principal repayments are scheduled to begin September 2025. Interest accrues on the unpaid principal balance during the deferral period. The note is collateralized by business assets of the Observatory.</p>	149,900	149,900
<p>Total notes payable</p>	949,290	978,891
<p>Less: current portion</p>	23,606	32,313
<p>Total long-term portion</p>	\$ 925,684	\$ 946,578

The scheduled future principal payments for the next five years, and thereafter, are as follows:

<i>Years Ended March 31,</i>		
2024	\$	23,606
2025		24,533
2026		27,509
2027		29,998
2028		30,985
Thereafter		812,659
Total	\$	949,290

Mount Washington Observatory

Notes to Financial Statements

Note 7: Notes Payable (Continued)

The Observatory received loan proceeds in the amount of \$210,000 under the U.S. Small Business Administration Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying businesses. The funds are to be used for eligible COVID-19 related expenses including payroll, benefits, rent and utilities. The Observatory used the loan proceeds for purposes consistent with the PPP requirements and applied for and received forgiveness notification from the SBA that the loan was fully forgiven on February 16, 2022. The forgiveness was reported as forgiveness of Paycheck Protection Program loan in the statement of activities for the 11-month period ended March 31, 2022.

Note 8: Endowment Funds

The Board of Trustees of the Observatory has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Observatory retains in perpetuity net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Observatory in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Observatory considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the 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.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Observatory to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. At March 31, 2023, the deficiencies totaled \$28,360. At March 31, 2022, there were no such deficiencies resulting from unfavorable market fluctuations.

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, consisting mainly of exchange-traded funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 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 fees) between 3.0% and 5.0%. Actual returns may vary from this amount. Investment risk is measured in terms of the total endowment funds. Investment assets and allocation between asset classes and strategies are managed so as not to expose the fund to unacceptable levels of risk.

Mount Washington Observatory

Notes to Financial Statements

Note 8: Endowment Funds (Continued)

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. In extraordinary circumstances, the Board of Trustees has the authority to approve a higher spending rate or spending from funds currently underwater. 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 four 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. 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.

The Observatory's endowment fund includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Observatory's endowment net assets as of March 31, 2023 and 2022, and the changes in endowment net assets for the 12-month period ended March 31, 2023 and the 11-month period ended March 31, 2022, are as follows:

	March 31, 2023				
	Without Donor Restriction	With Donor Restriction			Total Endowments
		Library Endowment	Operational Endowments	Total Donor- Restricted	
Endowment assets, March 31, 2022	\$ 2,163,066	\$ 279,310	\$ 590,315	\$ 869,625	\$ 3,032,691
Contributions	426,666	-	-	-	426,666
Investment return, net	46,840	5,333	11,516	16,849	63,689
Net appreciation (depreciation)	(114,693)	(19,013)	(40,272)	(59,285)	(173,978)
Amounts appropriated for expenditure	(110,526)	(14,388)	(18,643)	(33,031)	(143,557)
Endowment assets, March 31, 2023	\$ 2,411,353	\$ 251,242	\$ 542,916	\$ 794,158	\$ 3,205,511
Other non-endowment investments	181,702	-	-	-	181,702
Totals	\$ 2,593,055	\$ 251,242	\$ 542,916	\$ 794,158	\$ 3,387,213

Mount Washington Observatory

Notes to Financial Statements

Note 8: Endowment Funds (Continued)

	March 31, 2022				
	Without Donor Restriction	With Donor Restriction			Total Endowments
		Library Endowment	Operational Endowments	Total Donor- Restricted	
Endowment assets, April 30, 2021	\$ 2,283,395	\$ 295,320	\$ 611,537	\$ 906,857	\$ 3,190,252
Contributions	-	-	-	-	-
Investment return, net	39,780	5,137	10,850	15,987	55,767
Net appreciation (depreciation)	(52,267)	(6,599)	(14,063)	(20,662)	(72,929)
Amounts appropriated for expenditure	(107,842)	(14,548)	(18,009)	(32,557)	(140,399)
<hr/>					
Endowment assets, March 31, 2022	\$ 2,163,066	\$ 279,310	\$ 590,315	\$ 869,625	\$ 3,032,691
Other non-endowment investments	178,187	-	-	-	178,187
<hr/>					
Totals	\$ 2,341,253	\$ 279,310	\$ 590,315	\$ 869,625	\$ 3,210,878

The amounts required to be retained in perpetuity are as follows:

<i>March 31,</i>	2023	2022
Gladys Brooks fund (Library endowment)	\$ 266,635	\$ 266,635
SF Spaulding fund	17,045	17,045
JB Roberts fund	80,020	80,020
Robert Lowell Putnam fund	94,708	94,708
Stoney Morrell education fund	2,161	2,161
Mack Beal fund	30,652	30,652
Edward Everett fund	298,080	298,080
<hr/>		
Totals	\$ 789,301	\$ 789,301

Mount Washington Observatory

Notes to Financial Statements

Note 9: Net Assets with Donor Restriction

As of March 31, 2023 and 2022, net assets with donor restrictions were as follows:

<i>March 31,</i>	2023	2022
Gladys Brooks Library Endowment Fund	\$ 251,241	\$ 279,310
Operating Endowments:		
SF Spaulding fund	16,062	17,856
JB Roberts fund	75,400	83,824
Robert Lowell Putnam fund	89,240	99,210
Stoney Morrell education fund	2,036	2,264
Mack Beal fund	28,883	32,110
Edward Everett fund	331,295	355,051
Total Operating Endowment Funds	542,916	590,315
Non-endowment funds restricted for the following purposes:		
Summit museum capital improvements	-	1,397
Research and education	35,218	34,130
Summit operations and safety	17,924	6,723
Other	1,795	1,795
Total net assets with donor restrictions	\$ 849,094	\$ 913,670

Note 10: Board-Designated Net Assets

Board-designated net assets include unrestricted donations plus their market appreciation which the Board has designated for an operating endowment. Investment income shall be used for operations in accordance with the spending rule of the Observatory's endowment policy. At March 31, 2023 and 2022, board-designated net assets were \$2,411,353 and \$2,163,066, respectively.

Note 11: Employee Retention Tax Credit

The CARES Act provided for refundable payroll tax credits known as the Employee Retention Tax Credit (ERTC). The ERTC allows qualified employers to receive a credit of 50% of the employee qualified wages and related payroll costs paid after March 13, 2020 through December 31, 2020, up to a maximum credit of \$5,000 per employee. The ERTC was extended by subsequent legislation through September 30, 2021, with the credit increasing to 70% of the employee qualified wages and related payroll costs up to a maximum credit of \$7,000 per employee. The Observatory elected to treat these credits under the grant accounting policy as discussed in Note 1. Management determined that \$380,791 was due under the ERTC and that all conditions relating to the award were met. As such, the full amount of the ERTC award was reported as grant revenue in 2022 and was included as a grant receivable at in the statement of financial position at March 31, 2023 and 2022. The Observatory received the funds in April and May 2023, along with interest earned on the credits. Interest earned in the amount of \$29,104 has been recorded as revenue in 2023 and is included as accrued interest receivable at March 31, 2023.

Mount Washington Observatory

Notes to Financial Statements

Note 12: Leases

FASB ASC 842

Effective April 1, 2022, the Observatory adopted accounting pronouncement ASU No. 2016-02, *Leases (Topic ASC 842)* (see Note 1) and was required to recognize the asset and liability for the rights and obligations created by this lease arrangement with the State of New Hampshire in the statement of financial position.

The Observatory leases a portion of the Sherman Adams Building located on the Summit of Mount Washington specifically designed and constructed for a working observatory with living facilities, and a museum designed and constructed for educational purposes. The 5-year lease was entered into on October 1, 2009 and includes options to renew the lease for three additional 5-year terms. Should the Observatory exercise its second renewal option, either party shall have the right to renegotiate certain provisions of the lease. At the end of the first renewal period, the lease agreement was amended to extend the term for one additional year, to September 30, 2020, to enable the parties to complete renegotiations of certain provisions of the lease prior to the second renewal option taking effect. As of October 17, 2023, 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 parties are continuing under the terms of the original lease. It is expected that the lease will continue through September 30, 2024 at a minimum.

Under the terms of the lease, the Observatory will pay a base rent of one dollar per year plus an additional annual rental amount of \$60,000. Payments in the amount of \$5,000 are required monthly.

The Observatory's lease agreement does not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contract include fixed and variable payments. Components of lease expense for the year ended March 31, 2023, were comprised of operating lease costs of \$60,000 and variable lease costs of \$14,386.

Supplemental information related to the lease is as follows for the 12-month period ended March 31, 2023:

Weighted-average remaining lease term - operating leases: 1.50 years

Weighted-average discount rate - operating leases: 2.53%

Maturities of lease liabilities are as follows:

<i>Years Ended March 31,</i>		
2024	\$	60,000
2025		30,000
Total lease payments		90,000
Less: imputed interest		(1,778)
Total	\$	88,222

Mount Washington Observatory

Notes to Financial Statements

Note 12: Leases (Continued)

Non-lease Components

Heat and utilities are paid directly to the State of New Hampshire at rates set by the State of New Hampshire. The total for the 12-month period ended March 31, 2023 was \$28,601, at a prevailing rate of \$0.55/kwh. Heating oil totaled \$12,178 for the 12-month period ended March 31, 2023, at a prevailing rate of \$4.00/gallon.

Variable Lease Payments

The Observatory is also obligated to pay the State of New Hampshire a 5% commission on retail sales, education programs and tours, research contracts and product testing, and contracted services performed or materials sold on the summit. For the 12-month period ended March 31, 2023, those commissions totaled \$14,386.

FASB ASC 840

The total rent expense for the 11-month period ending March 31, 2022, for the portion of the Sherman Adams Building located on the Summit of Mount Washington was \$55,000.

Pursuant to FASB ASC 840, *Leases*, the predecessor of FASB ASC 842, future minimum lease payments for this operating lease as of March 31, 2022, were as follows:

<i>Years Ended March 31,</i>		
2023	\$	60,000
2024		60,000
2025		30,000
Total		\$ 150,000

Heat and utilities were paid directly to the State of New Hampshire. The total for electricity for the 11-month period ended March 31, 2022 was \$28,858, at a prevailing rate of \$0.55/kwh. Heating oil totaled \$11,128 for the 11-month period ended March 31, 2022, at a prevailing rate of \$4.00/gallon.

The Observatory was also obligated to pay the State of New Hampshire a 5% commission on retail sales, education programs and tours, research contracts and product testing, and contracted services performed or materials sold on the summit. For the 11-month period ended March 31, 2022, those commissions totaled \$9,619.

Mount Washington Observatory

Notes to Financial Statements

Note 13: Restricted Maintenance Fund

With respect to the 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 12-month period ended March 31, 2023 and the 11-month period ended March 31, 2022, the State of New Hampshire's share totaled \$0. The restricted museum maintenance fund is included with investments in the statement of financial position and totaled \$181,702 and \$178,187 at March 31, 2023 and 2022, respectively. In accordance with the lease agreement, the funds are to be used for maintenance and replacement related to the summit's museum display. Amounts can only be withdrawn if approved by the Mount Washington Commission at a duly constituted meeting.

Note 14: Rental income

The Observatory rents space in its North Conway facility to two third parties under long-term lease arrangements. The cost and carrying amount of the leased space as estimated based on the leased-square footage is approximately \$1,575,000 and \$379,000 as of March 31, 2023 and \$1,504,000 and \$385,000 as of March 31, 2022. Lease income, inclusive of common area maintenance charges was \$206,551 and \$194,449 for the 12-month period ended March 31, 2023 and the 11-month period ended March 31, 2022, respectively.

Future rent under the foregoing lease agreements not inclusive of renewal options by year and in the aggregate is as follows:

<i>Years Ended March 31,</i>	
2024	\$ 182,645
2025	186,410
2026	96,240
2027	78,960
2028	19,740
Total	\$ 563,995

Renewal options for the two third-party leases could extend the leases to 2032-2035.

Tenants are also obligated to pay their share of the real estate taxes and utilities. The reimbursements reduce the associated expense.

The Observatory made an accounting policy election for the building to not separate the lease components of a contract and its associated non-lease components (lessor-provided maintenance and other services). One of the two leases includes a monthly charge for common-area maintenance of \$1,758 per month.

Mount Washington Observatory

Notes to Financial Statements

Note 15: Retirement Plan

Effective February 15, 2022, the Observatory adopted a retirement plan defined under Section 401(k) of the Internal Revenue Code covering substantially all employees who have completed six months of service. The maximum contribution by the employee is limited by federal tax law. The Observatory is required to make a safe harbor matching contribution in an amount equal to 100% of the employee's elective deferral up to five percent of the employee's compensation. The employer may also make discretionary matching contributions in addition to the safe harbor contribution.

Prior to the adoption of the 401(k) plan, the Observatory maintained 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 employer contribution was three percent of the employee's salary.

Total retirement expense for the 12-month period ended March 31, 2023 and the 11-month period ended March 31, 2022 was \$26,181 and \$17,404, respectively. There were no discretionary contributions made during 2023.

Note 16: Bequest Receivable

During the 11-month period ended March 31, 2022, the Organization was notified that it was a beneficiary of a will. The probate court approved the Organization's approximate elective share to be \$4,331,235 during the 12-month period ended March 31, 2023. As of March 31, 2023, the Organization has recorded a bequest receivable of \$4,000,000, which was received subsequent to year end. While the remaining payment is estimated by the probate court to be \$331,235, the final amount, if any, will not be known until the estate and its expenses have been settled in their entirety. Therefore, management has not recorded any additional bequest receivable as of March 31, 2023 as the amount cannot be reasonably estimated. The Organization also received investment income for their approximate elective share of \$533,333 during the 12-month period ended March 31, 2023, which is included in contributions - major gifts and bequests along with the \$4,000,000 in the statement of activities.

Note 17: Risks, Uncertainties and Concentrations

Investments, in general, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances.

The main charitable purpose of the Observatory relies upon the use of the facilities at the summit of Mount Washington. In the event the lease is not renewed, the Observatory's operations and mission could suffer.

The Observatory received a contribution from an estate which comprise 77% of total contribution revenue for the 12-month period ended March 31, 2023.

Note 18: Subsequent Events

Management has made an evaluation of subsequent events to October 17, 2023, which represents the date on which the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of these financial statements.