

EDITH WHARTON RESTORATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Edith Wharton Restoration, Inc.
The Mount
2 Plunkett Street
Lenox, Massachusetts 01240

We have audited the accompanying financial statements of Edith Wharton Restoration, Inc. (a Massachusetts non-profit organization), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edith Wharton Restoration, Inc., as of March 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of construction-in-progress on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lombardi, Christ - Reg

May 27, 2016

**EDITH WHARTON RESTORATION, INC.
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	March 31,	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 281,101	\$ 131,789
Accounts receivable	3,594	1,732
Other receivable	-	4,140
Pledges receivable	129,700	45,700
Inventory - gift shop	14,935	13,710
Prepaid expenses	<u>11,720</u>	<u>28,925</u>
TOTAL CURRENT ASSETS	<u>441,050</u>	<u>225,996</u>
PROPERTY AND EQUIPMENT		
Land	65,710	65,710
Buildings	255,674	255,674
Restoration costs	5,858,084	5,781,074
Improvements	41,537	41,537
Equipment and software	295,742	310,532
Motor vehicles	20,684	20,684
Construction-in-progress	<u>232,044</u>	<u>71,619</u>
Total cost	6,769,475	6,546,830
Less: Accumulated depreciation	<u>(2,799,189)</u>	<u>(2,676,686)</u>
NET PROPERTY AND EQUIPMENT	<u>3,970,286</u>	<u>3,870,144</u>
OTHER ASSETS		
Cash - restricted	131,667	131,667
Archives	522,864	522,864
Library collection	611,880	609,230
Pledges receivable, net of current portion	<u>122,317</u>	<u>144,629</u>
TOTAL OTHER ASSETS	<u>1,388,728</u>	<u>1,408,390</u>
TOTAL ASSETS	<u><u>\$ 5,800,064</u></u>	<u><u>\$ 5,504,530</u></u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.
STATEMENTS OF FINANCIAL POSITION**

LIABILITIES AND NET ASSETS

	March 31,	
	2016	2015
CURRENT LIABILITIES		
Current portion of long-term debt	\$ -	\$ 82,728
Accounts payable	18,557	34,402
Accrued expenses	20,404	14,667
Payroll and sales tax payable	70	24
Deferred income	108,950	71,250
	<u>147,981</u>	<u>203,071</u>
TOTAL CURRENT LIABILITIES	147,981	203,071
LONG-TERM DEBT, net of current portion	<u>-</u>	<u>3,745,528</u>
TOTAL LIABILITIES	<u>147,981</u>	<u>3,948,599</u>
NET ASSETS		
Unrestricted	5,229,835	1,138,284
Temporarily restricted	290,581	285,980
Permanently restricted	131,667	131,667
	<u>5,652,083</u>	<u>1,555,931</u>
TOTAL NET ASSETS	5,652,083	1,555,931
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,800,064</u></u>	<u><u>\$ 5,504,530</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED MARCH 31, 2016 AND 2015

Exhibit B

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
REVENUE AND SUPPORT					
Contributions, grants and fundraising	\$ 745,197	\$ 3,610,764	\$ -	\$ 4,355,961	\$ 1,176,099
Tours of The Mount	404,045			404,045	397,951
Food and beverage	119,744			119,744	127,765
Rental income	105,225			105,225	119,680
Gift shop	104,630			104,630	107,456
Program revenue	62,571			62,571	65,518
Other income	19,071			19,071	4,920
Gain on extinguishment of debt	807,860			807,860	-
Net assets released from restrictions:					
Satisfaction of program and time restrictions	3,606,163	(3,606,163)		-	-
TOTAL REVENUE AND SUPPORT	5,974,506	4,601	-	5,979,107	1,999,389
EXPENSES					
Salaries and wages	720,980			720,980	657,381
Repairs and maintenance	189,294			189,294	120,868
Depreciation	137,293			137,293	133,839
Employee benefits and taxes	127,997			127,997	124,611
Professional fees	105,232			105,232	28,858
Fundraising expenses	87,099			87,099	68,163
Advertising and marketing	81,816			81,816	75,725
Food and beverage costs	77,270			77,270	91,108
Insurance	58,162			58,162	57,866
Gift shop merchandise	54,096			54,096	57,568
Office supplies and postage	52,606			52,606	55,008
Interest	50,998			50,998	128,790
Utilities and telephone	50,568			50,568	57,700
Lecture and program expenses	30,062			30,062	38,897
Travel and lodging	22,629			22,629	28,582
Rental expenses	11,692			11,692	16,791
Visitor services expenses	8,498			8,498	13,347
Publishing costs	8,440			8,440	7,740
Curatorial end exhibition costs	7,427			7,427	8,294
Miscellaneous	796			796	1,831
TOTAL EXPENSES	1,882,955	-	-	1,882,955	1,772,967
CHANGE IN NET ASSETS	4,091,551	4,601	-	4,096,152	226,422
NET ASSETS - BEGINNING	1,138,284	285,980	131,667	1,555,931	1,329,509
NET ASSETS - ENDING	\$ 5,229,835	\$ 290,581	\$ 131,667	\$ 5,652,083	\$ 1,555,931

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED MARCH 31, 2015

Exhibit B

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions, grants and fundraising	\$ 937,591	\$ 237,008	\$ 1,500	\$ 1,176,099
Tours of The Mount	397,951			397,951
Food and beverage	127,765			127,765
Rental income	119,680			119,680
Gift shop	107,456			107,456
Program revenue	65,518			65,518
Other income	4,920			4,920
Net assets released from restrictions:				
Satisfaction of program and time restrictions	242,938	(242,938)		-
TOTAL REVENUE AND SUPPORT	2,003,819	(5,930)	1,500	1,999,389
EXPENSES				
Salaries and wages	657,381			657,381
Repairs and maintenance	120,868			120,868
Depreciation	133,839			133,839
Employee benefits and taxes	124,611			124,611
Professional fees	28,858			28,858
Fundraising expenses	68,163			68,163
Advertising and marketing	75,725			75,725
Food and beverage costs	91,108			91,108
Insurance	57,866			57,866
Gift shop merchandise	57,568			57,568
Office supplies and postage	55,008			55,008
Interest	128,790			128,790
Utilities and telephone	57,700			57,700
Lecture and program expenses	38,897			38,897
Travel and lodging	28,582			28,582
Rental expenses	16,791			16,791
Visitor services expenses	13,347			13,347
Publishing costs	7,740			7,740
Curatorial end exhibition costs	8,294			8,294
Miscellaneous	1,831			1,831
TOTAL EXPENSES	1,772,967	-	-	1,772,967
CHANGE IN NET ASSETS	230,852	(5,930)	1,500	226,422
NET ASSETS - BEGINNING	907,432	291,910	130,167	1,329,509
NET ASSETS - ENDING	\$ 1,138,284	\$ 285,980	\$ 131,667	\$ 1,555,931

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENTS OF CASH FLOWS

Exhibit C

	Years Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,096,152	\$ 226,422
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash donations of marketable securities - debt retirement	(1,859,652)	-
Non-cash donations of marketable securities - other	(405,693)	-
Contributions restricted for the retirement of debt	(1,124,772)	-
Depreciation	137,293	133,839
Gain on extinguishment of debt	(807,860)	-
Gain on sale of marketable securities	(7,701)	-
Gain on sale of property and equipment	-	(1,000)
(Increase) decrease in:		
Accounts receivable	(1,862)	(757)
Other receivable	4,140	(4,140)
Pledges receivable	(61,688)	84,494
Inventory - gift shop	(1,225)	5,588
Prepaid expenses	17,205	(16,915)
Restricted cash	-	(110,481)
Increase (decrease) in:		
Accounts payable	(15,845)	(11,564)
Accrued expenses	5,737	(5,897)
Payroll and sales tax payable	46	(372)
Deferred income	37,700	(23,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>11,975</u>	<u>276,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	1,000
Proceeds from sale of marketable securities	2,273,046	-
Purchase of library collection	(2,650)	-
Purchase of property and equipment	(237,435)	(78,819)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,032,961</u>	<u>(77,819)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from (repayment to) board trustee	-	(4,000)
Contributions restricted for the retirement of debt	1,124,772	-
Payment of long-term debt	(3,020,396)	(87,296)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,895,624)</u>	<u>(91,296)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,312	107,102
CASH AND CASH EQUIVALENTS - BEGINNING	<u>131,789</u>	<u>24,687</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 281,101</u></u>	<u><u>\$ 131,789</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 50,998</u>	<u>\$ 138,662</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015**

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Edith Wharton Restoration (the "Organization") was incorporated in Massachusetts in 1978 to acquire The Mount, the National Historic Landmark estate designed by Edith Wharton, which at the time was threatened by extensive commercial development. Today, The Mount is both a historic site and a center for culture inspired by the passions and achievements of its creator. It welcomes more than 42,000 visitors from across the U.S. and abroad annually, who come to tour the estate or attend one of the many readings, lectures, performances, or other programs that the Organization offers.

Income Taxes

The Organization is a nonprofit corporation, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization does not believe it has done anything during the past year that would jeopardize its tax-exempt status at either the state or Federal level. The Organization reports its activities to the Commonwealth of Massachusetts and the IRS in annual information returns. These filings are subject to examination by the Commonwealth of Massachusetts and the IRS, generally for three years after they were filed.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledges

Contributions are recognized when the donor makes a pledge to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Services

During the years ended March 31, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Inventory

Inventory is stated at lower of cost, using the first-in, first-out method, or market.

Accounts Receivable

The Organization generally grants payment terms to its customers of thirty days from the date of the invoice. Customers are considered delinquent for amounts outstanding after thirty days. The Organization does not charge interest or finance charges on past due receivables.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015

Note 1 - continued

Uncollectible accounts are charged against an allowance for doubtful accounts based on prior history with the customer and management's analysis of the account. No allowance for uncollectible accounts was considered necessary at March 31, 2016 and 2015.

Estimates

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

Fair Value Measurements

The Organization determines the fair market values of its financial assets and liabilities, as well as nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in accordance with generally accepted accounting principles for *fair value measurements*. The Organization currently has no assets or liabilities that are measured at fair value on a recurring basis.

The Organization's financial instruments include various current assets and current liabilities. The carrying amount of these financial instruments approximates their fair value due to their short-term maturities.

Property and Equipment, Archives, and Library Collection

Property and equipment are recorded at cost. Expenditures for property and equipment in excess of \$5,000 (\$1,500 prior to April 1, 2015) are capitalized. Routine expenditures for maintenance and repairs are charged to expense as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Restoration costs	20 - 50 years
Improvements	20 years
Equipment and software	5 - 7 years
Motor vehicles	5 years

The Organization is subject to various conservation easements on its buildings and grounds held by the National Trust for Historic Preservation and the Massachusetts Historical Commission.

The Organization capitalizes its collections. Accessions are capitalized at cost if purchased and at appraised or fair market value at date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015

Note 1 - continued

Impairment of Property and Equipment

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset against the asset's carrying amount to determine if a write-down to fair value is required. If impairment is present, the assets are reported at the lower of carrying value or fair value. There was no impairment loss recognized during the years ended March 31, 2016 or 2015.

Sales Taxes

The Organization collects sales tax from customers and remits these amounts to the applicable taxing authorities. The Organization's policy is to exclude these taxes from revenues and cost of sales.

Advertising

Advertising costs are charged to operations as incurred. Such costs for the years ended March 31, 2016 and 2015 amounted to \$81,816 and \$75,725, respectively.

Note 2 - **Cash – Restricted**

Cash – restricted consists of savings accounts totaling \$131,667 at March 31, 2016 and 2015. The principal of these accounts is permanently restricted; however, \$114,000 may be used from time to time for operating purposes as long as the amounts are replenished when funds are available (see Note 6). The interest income generated from these accounts can be used for educational purposes, operations and maintenance and repairs to the stable and gatehouse. Interest income of \$69 and \$36 was earned from these accounts for the years ended March 31, 2016 and 2015, respectively, and was used accordingly.

Note 3 - **Pledges Receivable**

Pledges receivable, using a 3.75% discount rate on long-term pledges (those due in more than one year), consisted of the following at March 31:

	2016	2015
Receivable in less than one year	\$ 129,700	\$ 45,700
Receivable in one to five years	109,700	110,900
Receivable in more than five years	<u>26,500</u>	<u>53,000</u>
Total pledges receivable	265,900	209,600
Less: Discounts to present value	<u>(13,883)</u>	<u>(19,271)</u>
Net	252,017	190,329
Current portion	<u>129,700</u>	<u>45,700</u>
Long-term portion	<u>\$ 122,317</u>	<u>\$ 144,629</u>

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015**

Note 4 - Long-Term Debt

In September 2015, the Organization retired all of its debt ahead of its maturity. In connection with the debt retirement, the Organization realized a gain of \$807,860 from its lenders.

The Organization's long-term debt at March 31 consisted of the following:

	2016	2015
A consolidation loan payable to Berkshire Bank which required monthly payments of \$15,576, comprised of interest at 3.25% and principal through June 3, 2016 based on a thirty year amortization. Any balance of unpaid interest and principal was due on the maturity date of June 3, 2016. The consolidation loan was subject to certain covenants and was secured by a first priority mortgage on the Organization's real estate and a first priority perfected security interest in all of its personal property. The total carrying value of the security was \$4,734,708 at March 31, 2015.	\$ -	\$ 3,494,796
A loan payable to an individual which required monthly payments of \$2,212, comprised of interest at 3.25% and principal. Any balance of unpaid interest and principal was due on the maturity date of June 3, 2016. The note was secured by a second priority perfected security interest in all of the assets of the Organization.	-	333,460
Total long-term debt	-	3,828,256
Less: Current portion	-	82,728
Long-term debt, net	\$ -	\$ 3,745,528

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following amounts that were received with donor stipulations and unexpended as of March 31:

	2016	2015
Purpose restricted	\$ 38,564	\$ 95,651
Time restricted (pledges receivable in future years):	252,017	190,329
Total temporarily restricted	\$ 290,581	\$ 285,980

Note 6 - Endowment and Permanently Restricted Net Assets

The Organization's permanently restricted net assets consist of donor-restricted endowment funds which permit the Organization to use only the earned income from the investments for specified purposes. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Financial Accounting Standards Board Staff Position 117-1 in accounting and reporting on its endowment.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015**

Note 6 - continued

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted UPMIFA 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 Organization classifies as permanently restricted net assets (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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (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 Organization
- (7) The investment policies of the Organization

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. Deficiencies could result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

There is a \$114,000 education endowment which includes a provision that allows the Organization to borrow the funds for operating purposes as long as the funds are replenished when it is feasible. For each of the years ending March 31, 2016 and 2015 none of the donor restricted endowment funds had been used by the Organization for operating purposes.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to preserve the principal amount of the endowment assets.

Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a savings account that is intended to assume a low level of investment risk.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015**

Note 6 - continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

Although the Commonwealth of Massachusetts permits appropriations of greater amounts, the Organization has adopted a more conservative policy of appropriating for distribution each year only up to five percent of its endowment fund's average fair value over the prior twelve fiscal quarters preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. This will allow the Organization to preserve the principal amount of the endowment while providing current income for operations.

During the years ended March 31, 2016 and 2015, the Organization earned interest of \$69 and \$36, respectively, which was appropriated for expenditure in accordance with the spending policy.

The following schedule details the permanently restricted net assets as well as the donor restricted use of the income earned on of these endowment funds as of March 31:

	2016	2015
Income restricted for:		
Educational expenses	\$ 114,000	\$ 114,000
Maintenance of stable and gatehouse	<u>17,667</u>	<u>17,667</u>
Total	<u>\$ 131,667</u>	<u>\$ 131,667</u>

Note 7 - **Retirement Plans**

The Organization maintains a 403(b) retirement plan. The Organization contributes 3% of eligible employees' compensation. All employees who have reached the age of twenty-one and have six months of service are eligible for their share of the employer's contribution. For the years ended March 31, 2016 and 2015, the Organization contributed \$13,071 and \$12,554, respectively to this plan.

In addition, the Organization maintains a separate tax deferred annuity plan. Employees may contribute pre-tax dollars to purchase annuity contracts owned by the employees. All employees of the Organization are eligible to participate in this tax deferred annuity plan. Contributions are subject to limitations imposed by the Internal Revenue Service.

Note 8 - **Concentration of Risk**

The Organization maintains all of its deposits with its commercial lender. These deposits at times exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). These balances fluctuate during the year and the uninsured portion can vary greatly. At March 31, 2016 and 2015, the Organization had \$164,916 and \$27,161 in excess of insured levels on deposit at one financial institution. Management monitors the financial condition of the banking institution and believes there is no significant risk with respect to these deposits.

Note 9 - **Related Party Transactions**

Total contributions from all board trustees amounted to \$2,472,895 and \$668,734 for the years ended March 31, 2016 and 2015, respectively. In addition, the Organization received an advance of \$4,000 from a board trustee during the year ended March 31, 2014. This advance was repaid when the Organization had the resources to do so during the year ended March 31, 2015. In addition, as part of the debt retirement initiative referred to in Note 4 above, another board member loaned the Organization \$150,000 during the year ended March 31, 2016. The loan was non-interest bearing and was repaid prior to March 31, 2016.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2016 AND 2015

Note 10 - Supplemental Cash Flow Information

	Year Ended	
	March 31,	
	2016	2015
Purchase of fixed assets	\$ 237,435	\$ 78,224
Accounts payable thereon:		
Beginning of year	-	595
End of year	<u>-</u>	<u>-</u>
Payments to acquire fixed assets	<u>\$ 237,435</u>	<u>\$ 78,819</u>

Note 11 - Subsequent Events

Management has evaluated subsequent events through May 27, 2016, the date on which the financial statements were available to be issued.

EDITH WHARTON RESTORATION, INC.
SUPPLEMENTAL SCHEDULE OF CONSTRUCTION-IN-PROGRESS
YEAR ENDED MARCH 31, 2016

DESCRIPTION	Balance March 31, 2015	Cash Expenditures	Accounts Payable	Sub-total	Placed in Service	Balance March 31, 2016
Stable	\$ 66,619	\$ 191,320	\$ -	\$ 257,939	\$ 25,895	\$ 232,044
Main House - exterior	5,000	5,000		10,000	10,000	-
TOTAL	<u>\$ 71,619</u>	<u>\$ 196,320</u>	<u>\$ -</u>	<u>\$ 267,939</u>	<u>\$ 35,895</u>	<u>\$ 232,044</u>

See auditor's report.