

EDITH WHARTON RESTORATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 14 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.

Lanbardi, Clairmont & Kuehn

June 2, 2017

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

ASSETS

	March 31,	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 414,861	\$ 281,101
Accounts receivable	3,134	3,594
Pledges receivable	154,200	129,700
Inventory - gift shop	21,976	14,935
Prepaid expenses	<u>16,748</u>	<u>11,720</u>
TOTAL CURRENT ASSETS	<u>610,919</u>	<u>441,050</u>
PROPERTY AND EQUIPMENT		
Land	65,710	65,710
Buildings and restoration costs	6,422,988	6,155,295
Equipment and software	292,742	295,742
Motor vehicles	20,684	20,684
Construction-in-progress	<u>262,951</u>	<u>232,044</u>
Total cost	7,065,075	6,769,475
Less: Accumulated depreciation	<u>(2,943,062)</u>	<u>(2,799,189)</u>
NET PROPERTY AND EQUIPMENT	<u>4,122,013</u>	<u>3,970,286</u>
OTHER ASSETS		
Cash - restricted	131,667	131,667
Archives	522,864	522,864
Library collection	613,101	611,880
Pledges receivable, net of current portion	<u>112,145</u>	<u>122,317</u>
TOTAL OTHER ASSETS	<u>1,379,777</u>	<u>1,388,728</u>
TOTAL ASSETS	<u><u>\$ 6,112,709</u></u>	<u><u>\$ 5,800,064</u></u>

See accompanying notes and auditors' report.

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

LIABILITIES AND NET ASSETS

	March 31,	
	2017	2016
CURRENT LIABILITIES		
Accounts payable	\$ 25,084	\$ 18,557
Accrued expenses	31,559	20,404
Payroll and sales tax payable	83	70
Deferred income	<u>72,031</u>	<u>108,950</u>
TOTAL CURRENT LIABILITIES	128,757	147,981
NET ASSETS		
Unrestricted		
Undesignated	39,216	124,805
Net investment in property and equipment	4,122,013	3,970,286
Net investment in archives and library collection	<u>1,135,965</u>	<u>1,134,744</u>
Total unrestricted	5,297,194	5,229,835
Temporarily restricted	555,091	290,581
Permanently restricted	<u>131,667</u>	<u>131,667</u>
TOTAL NET ASSETS	<u>5,983,952</u>	<u>5,652,083</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,112,709</u></u>	<u><u>\$ 5,800,064</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED MARCH 31, 2017 AND 2016

Exhibit B

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUE AND SUPPORT					
Contributions, grants and fundraising	\$ 902,575	\$ 679,315	\$ -	\$ 1,581,890	\$ 4,301,962
Tours of The Mount	364,478			364,478	355,841
Sales income	266,671			266,671	224,374
Rental income	132,063			132,063	105,225
Memberships	60,039			60,039	48,204
Program revenue	65,516			65,516	92,606
Other income	6,901			6,901	42,505
Gain on extinguishment of debt	-			-	807,860
Net assets released from restrictions:					
Satisfaction of program and time restrictions	414,805	(414,805)	-	-	-
TOTAL REVENUE AND SUPPORT	2,213,048	264,510	-	2,477,558	5,978,577
EXPENSES					
Salaries and wages	844,899			844,899	720,980
Repairs and maintenance	337,326			337,326	166,055
Employee benefits and taxes	148,466			148,466	127,997
Depreciation	146,873			146,873	137,293
Cost of goods sold	132,020			132,020	123,857
Fundraising expenses	72,623			72,623	70,217
Utilities and telephone	70,537			70,537	73,912
Insurance	65,387			65,387	58,162
Advertising and marketing	62,268			62,268	82,820
Office supplies and postage	49,472			49,472	38,539
Travel and lodging	36,508			36,508	7,119
Visitor services expenses	35,953			35,953	25,061
Professional fees	33,833			33,833	112,272
Bank and merchant fees	22,084			22,084	18,707
Rental expenses	20,218			20,218	11,867
Information technology	19,283			19,283	19,410
Food and beverage	14,759			14,759	22,259
Miscellaneous	9,556			9,556	1,262
Lecture and program expenses	8,081			8,081	4,818
Permits, licenses and taxes	7,169			7,169	2,505
Curatorial and exhibition costs	5,317			5,317	6,315
Bad debts	3,000			3,000	-
Interest	57			57	50,998
TOTAL EXPENSES	2,145,689	-	-	2,145,689	1,882,425
CHANGE IN NET ASSETS	67,359	264,510	-	331,869	4,096,152
NET ASSETS - BEGINNING	5,229,835	290,581	131,667	5,652,083	1,555,931
NET ASSETS - ENDING	\$ 5,297,194	\$ 555,091	\$ 131,667	\$ 5,983,952	\$ 5,652,083

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2016

Exhibit B

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions, grants and fundraising	\$ 691,198	\$ 3,610,764	\$	\$ 4,301,962
Tours of The Mount	355,841			355,841
Sales income	224,374			224,374
Rental income	105,225			105,225
Memberships	48,204			48,204
Program revenue	92,606			92,606
Other income	42,505			42,505
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	<u>5,973,976</u>	<u>4,601</u>	<u>-</u>	<u>5,978,577</u>
EXPENSES				
Salaries and wages	720,980			720,980
Repairs and maintenance	166,055			166,055
Employee benefits and taxes	127,997			127,997
Depreciation	137,293			137,293
Cost of goods sold	123,857			123,857
Fundraising expenses	70,217			70,217
Utilities and telephone	73,912			73,912
Insurance	58,162			58,162
Advertising and marketing	82,820			82,820
Office supplies and postage	38,539			38,539
Travel and lodging	7,119			7,119
Visitor services expenses	25,061			25,061
Professional fees	112,272			112,272
Bank and merchant fees	18,707			18,707
Rental expenses	11,867			11,867
Information technology	19,410			19,410
Food and beverage	22,259			22,259
Miscellaneous	1,262			1,262
Lecture and program expenses	4,818			4,818
Permits, licenses and taxes	2,505			2,505
Curatorial and exhibition costs	6,315			6,315
Interest	50,998			50,998
TOTAL EXPENSES	<u>1,882,425</u>	<u>-</u>	<u>-</u>	<u>1,882,425</u>
CHANGE IN NET ASSETS	4,091,551	4,601	-	4,096,152
NET ASSETS - BEGINNING	<u>1,138,284</u>	<u>285,980</u>	<u>131,667</u>	<u>1,555,931</u>
NET ASSETS - ENDING	<u>\$ 5,229,835</u>	<u>\$ 290,581</u>	<u>\$ 131,667</u>	<u>\$ 5,652,083</u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.
STATEMENTS OF CASH FLOWS**

Exhibit C

	Years Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 331,869	\$ 4,096,152
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	(55,597)	(405,693)
Contributions restricted for the retirement of debt	-	(1,124,772)
Depreciation	146,873	137,293
Bad debts	3,000	-
Gain on extinguishment of debt	-	(807,860)
Gain on sale of marketable securities	-	(7,701)
(Increase) decrease in:		
Accounts receivable	(2,540)	(1,862)
Other receivable	-	4,140
Pledges receivable	(14,328)	(61,688)
Inventory - gift shop	(7,041)	(1,225)
Prepaid expenses	(5,028)	17,205
Increase (decrease) in:		
Accounts payable	6,527	(15,845)
Accrued expenses	11,155	5,737
Payroll and sales tax payable	13	46
Deferred income	(36,919)	37,700
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>377,984</u>	<u>11,975</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	55,597	2,273,046
Purchase of library collection	(1,221)	(2,650)
Purchase of property and equipment	(298,600)	(237,435)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(244,224)</u>	<u>2,032,961</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for the retirement of debt	-	1,124,772
Payment of long-term debt	-	(3,020,396)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>(1,895,624)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	133,760	149,312
CASH AND CASH EQUIVALENTS - BEGINNING	<u>281,101</u>	<u>131,789</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 414,861</u></u>	<u><u>\$ 281,101</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 57</u>	<u>\$ 50,998</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, 2017 AND 2016**

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 45,000 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, 2017 and 2016, 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, 2017 AND 2016**

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, 2017 and 2016.

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 with a useful life in excess of one year 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 and restoration costs	20 - 50 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, 2017 AND 2016

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, 2017 or 2016.

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, 2017 and 2016 amounted to \$62,268 and \$82,820, respectively.

Note 2 - **Cash – Restricted**

Cash – restricted consists of savings accounts totaling \$131,667 at March 31, 2017 and 2016. 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 \$66 and \$69 was earned from these accounts for the years ended March 31, 2017 and 2016, 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:

	2017	2016
Receivable in less than one year	\$ 154,200	\$ 129,700
Receivable in one to five years	122,500	109,700
Receivable in more than five years	<u>-</u>	<u>26,500</u>
Total pledges receivable	276,700	265,900
Less: Discounts to present value	<u>(10,355)</u>	<u>(13,883)</u>
Net	266,345	252,017
Current portion	<u>154,200</u>	<u>129,700</u>
Long-term portion	<u>\$ 112,145</u>	<u>\$ 122,317</u>

Note 4 - **Long-Term Debt**

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

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2017 AND 2016

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:

	2017	2016
Purpose restricted	\$ 288,746	\$ 38,564
Time restricted (pledges receivable in future years):	<u>266,345</u>	<u>252,017</u>
Total temporarily restricted	<u>\$ 555,091</u>	<u>\$ 290,581</u>

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.

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.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2017 AND 2016**

Note 6 - continued

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. As of March 31, 2017 and 2016, 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.

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, 2017 and 2016, the Organization earned interest of \$66 and \$69, 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:

	2017	2016
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, 2017 and 2016, the Organization contributed \$18,808 and \$13,071, 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.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2017 AND 2016

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, 2017 and 2016, the Organization had \$301,136 and \$164,916 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 \$505,077 and \$2,472,895 for the years ended March 31, 2017 and 2016, respectively. 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.

Note 10 - Reclassification

Certain amounts in the financial statements for the year ended March 31, 2016 have been reclassified to conform with the presentation for the year ended March 31, 2017. These reclassifications had no effect on the change in net assets for the year ended March 31, 2016.

Note 11 - Board of Trustees

During the fiscal year ended March 31, 2017, the Organization added four additional trustees to its Board bringing the total number of Board members to nineteen.

Note 12 - Subsequent Events

Management has evaluated subsequent events through June 2, 2017, 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, 2017

DESCRIPTION	Balance March 31, 2016	Cash Expenditures	Accounts Payable	Sub-total	Placed in Service	Balance March 31, 2017
Stable	\$ 232,044	\$ 280,907	\$ -	\$ 512,951	\$ 250,000	\$ 262,951
TOTAL	<u>\$ 232,044</u>	<u>\$ 280,907</u>	<u>\$ -</u>	<u>\$ 512,951</u>	<u>\$ 250,000</u>	<u>\$ 262,951</u>

See auditor's report.