

EDITH WHARTON RESTORATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

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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, 2019 and 2018; and the related statements of activities, functional expenses, 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, 2019 and 2018, 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 17 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.

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May 29, 2019

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

Exhibit A

ASSETS

	March 31,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,177,198	\$ 747,250
Accounts receivable	124,000	3,466
Pledges receivable	101,522	66,200
Inventory - gift shop	47,012	34,988
Prepaid expenses	<u>18,914</u>	<u>12,083</u>
TOTAL CURRENT ASSETS	<u>2,468,646</u>	<u>863,987</u>
PROPERTY AND EQUIPMENT		
Land	65,710	65,710
Buildings and restoration costs	6,602,567	6,772,957
Equipment and software	303,946	298,041
Motor vehicles	40,530	35,130
Construction-in-progress	<u>630,015</u>	<u>177,191</u>
Total cost	7,642,768	7,349,029
Less: Accumulated depreciation	<u>(3,132,371)</u>	<u>(3,099,206)</u>
NET PROPERTY AND EQUIPMENT	<u>4,510,397</u>	<u>4,249,823</u>
OTHER ASSETS		
Cash - restricted	383,273	174,167
Archives	537,355	522,864
Library collection	619,701	619,701
Pledges receivable, net of current portion	<u>134,132</u>	<u>105,683</u>
TOTAL OTHER ASSETS	<u>1,674,461</u>	<u>1,422,415</u>
TOTAL ASSETS	<u><u>\$ 8,653,504</u></u>	<u><u>\$ 6,536,225</u></u>

See accompanying notes and auditors' report.

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

Exhibit A

LIABILITIES AND NET ASSETS

	March 31,	
	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 202,885	\$ 13,563
Accrued expenses	38,508	30,761
Sales tax payable	17	38
Deferred income	<u>114,626</u>	<u>100,720</u>
TOTAL CURRENT LIABILITIES	<u>356,036</u>	<u>145,082</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,888,356	488,477
Board designated operating reserve fund	37,500	25,000
Net investment in property and equipment	4,510,397	4,249,823
Net investment in archives and library collection	<u>1,157,056</u>	<u>1,142,565</u>
Total without donor restrictions	7,593,309	5,905,865
With donor restrictions	<u>704,159</u>	<u>485,278</u>
TOTAL NET ASSETS	<u>8,297,468</u>	<u>6,391,143</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,653,504</u></u>	<u><u>\$ 6,536,225</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2019 AND 2018

Exhibit B

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Contributions, grants and fundraising	\$ 2,927,256	\$ 386,767	\$ 3,314,023	\$ 1,676,799
Tours of The Mount	405,443		405,443	396,553
Sales income	385,388		385,388	330,561
Rental income	128,050		128,050	97,175
Memberships	78,175		78,175	78,010
Program revenue	77,782		77,782	63,541
Other income	24,925		24,925	14,623
Net assets released from restrictions:				
Satisfaction of program and time restrictions	167,886	(167,886)	-	-
TOTAL REVENUE AND SUPPORT	<u>4,194,905</u>	<u>218,881</u>	<u>4,413,786</u>	<u>2,657,262</u>
EXPENSES				
Program	2,168,543		2,168,543	1,819,161
Management & general	114,731		114,731	120,917
Fundraising	224,187		224,187	309,993
TOTAL EXPENSES	<u>2,507,461</u>	<u>-</u>	<u>2,507,461</u>	<u>2,250,071</u>
CHANGE IN NET ASSETS	1,687,444	218,881	1,906,325	407,191
NET ASSETS - BEGINNING	<u>5,905,865</u>	<u>485,278</u>	<u>6,391,143</u>	<u>5,983,952</u>
NET ASSETS - ENDING	<u>\$ 7,593,309</u>	<u>\$ 704,159</u>	<u>\$ 8,297,468</u>	<u>\$ 6,391,143</u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2018

Exhibit B

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions, grants and fundraising	\$ 1,397,934	\$ 278,865	\$ 1,676,799
Tours of The Mount	396,553		396,553
Sales income	330,561		330,561
Rental income	97,175		97,175
Memberships	78,010		78,010
Program revenue	63,541		63,541
Other income	14,623		14,623
Net assets released from restrictions:			
Satisfaction of program and time restrictions	480,345	(480,345)	-
TOTAL REVENUE AND SUPPORT	<u>2,858,742</u>	<u>(201,480)</u>	<u>2,657,262</u>
EXPENSES			
Program	1,819,161		1,819,161
Management & general	120,917		120,917
Fundraising	309,993		309,993
TOTAL EXPENSES	<u>2,250,071</u>	<u>-</u>	<u>2,250,071</u>
CHANGE IN NET ASSETS	608,671	(201,480)	407,191
NET ASSETS - BEGINNING	<u>5,297,194</u>	<u>686,758</u>	<u>5,983,952</u>
NET ASSETS - ENDING	<u><u>\$ 5,905,865</u></u>	<u><u>\$ 485,278</u></u>	<u><u>\$ 6,391,143</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2019

Exhibit C

	Program	Management & General	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 752,478	\$ 66,218	\$ 94,818	\$ 913,514	\$ 872,582
Repairs and maintenance	237,383			237,383	196,669
Cost of goods sold	192,800			192,800	175,567
Depreciation	171,116			171,116	156,144
Loss on disposal of assets	167,207			167,207	-
Employee benefits and taxes	134,398	8,485	18,280	161,163	154,917
Development costs	35,955		72,450	108,405	81,333
Advertising and marketing	73,807		1,148	74,955	70,572
Utilities and telephone	71,962		138	72,100	73,735
Office supplies and postage	50,203	1,283	17,491	68,977	69,613
Insurance	55,095	4,040		59,135	64,713
Information technology	35,339		8,079	43,418	28,711
Travel and lodging	38,102	80	3,191	41,373	41,231
Publishing	38,960			38,960	4,500
Professional fees	4,455	30,229		34,684	41,755
Bank and merchant fees	25,266	1,424	1,143	27,833	26,487
Visitor services expenses	24,550		300	24,850	29,257
Rental expenses	22,364			22,364	20,632
Food and beverage	15,080	147	6,999	22,226	19,316
Curatorial and exhibition costs	9,121			9,121	9,570
Lecture and program expenses	7,600			7,600	4,575
Miscellaneous	3,292	2,281	150	5,723	5,082
Permits, licenses and taxes	2,010	544		2,554	2,610
Bad debts				-	100,500
TOTAL EXPENSES	<u><u>\$ 2,168,543</u></u>	<u><u>\$ 114,731</u></u>	<u><u>\$ 224,187</u></u>	<u><u>\$ 2,507,461</u></u>	<u><u>\$ 2,250,071</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2018

Exhibit C

	Program	Management & General	Fundraising	Total
Salaries and wages	\$ 712,131	\$ 65,683	\$ 94,768	\$ 872,582
Repairs and maintenance	196,204		465	196,669
Cost of goods sold	175,567			175,567
Depreciation	156,144			156,144
Employee benefits and taxes	127,876	8,849	18,192	154,917
Development costs	30,780	550	50,003	81,333
Advertising and marketing	69,157		1,415	70,572
Utilities and telephone	73,735			73,735
Office supplies and postage	43,988	3,102	22,523	69,613
Insurance	60,019	4,694		64,713
Information technology	24,427		4,284	28,711
Travel and lodging	36,796	134	4,301	41,231
Publishing	4,500			4,500
Professional fees	4,145	24,110	13,500	41,755
Bank and merchant fees	24,266	2,221		26,487
Visitor services expenses	29,107		150	29,257
Rental expenses	20,632			20,632
Food and beverage	10,647	8,429	240	19,316
Curatorial and exhibition costs	9,570			9,570
Lecture and program expenses	4,575			4,575
Miscellaneous	2,325	2,605	152	5,082
Permits, licenses and taxes	2,070	540		2,610
Bad debts	500		100,000	100,500
TOTAL EXPENSES	<u><u>\$ 1,819,161</u></u>	<u><u>\$ 120,917</u></u>	<u><u>\$ 309,993</u></u>	<u><u>\$ 2,250,071</u></u>

See accompanying notes and auditors' report.

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

Exhibit D

	Years Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,906,325	\$ 407,191
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash donations of marketable securities	(468,447)	(394,283)
Non-cash donations of library collection	-	(6,600)
Depreciation	171,116	156,144
Bad debts	-	100,500
(Gain) loss on sale of marketable securities	4,017	1,182
Loss on disposal of assets	167,207	-
(Increase) decrease in:		
Accounts receivable	(120,534)	(332)
Pledges receivable	(63,771)	(6,038)
Inventory - gift shop	(12,024)	(13,012)
Prepaid expenses	(6,831)	4,665
Increase (decrease) in:		
Accounts payable	24,596	(11,521)
Accrued expenses	7,747	(798)
Sales tax payable	(21)	(45)
Deferred income	13,906	28,689
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,623,286</u>	<u>265,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in cash - restricted	(209,106)	(42,500)
Proceeds from sale of marketable securities	464,430	393,101
Purchase of archives	(14,491)	-
Purchase of property and equipment	<u>(434,171)</u>	<u>(283,954)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(193,338)</u>	<u>66,647</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,429,948	332,389
CASH AND CASH EQUIVALENTS - BEGINNING	<u>747,250</u>	<u>414,861</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 2,177,198</u></u>	<u><u>\$ 747,250</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 57</u>
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

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 commercial development. Today, The Mount is both a historic site and a center for culture inspired by the passions and achievements of its creator. Annually, it welcomes more than 50,000 visitors from across the U.S. and abroad, 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 (IRS) 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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2019 and 2018, 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, 2019 AND 2018**

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, 2019 and 2018.

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.

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.

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 net assets with donor restrictions to net assets without donor restrictions 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 deaccession 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, 2019 AND 2018

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, 2019 or 2018.

Advertising

Advertising costs are charged to operations as incurred. Such costs for the years ended March 31, 2019 and 2018 amounted to \$74,955 and \$70,572, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs benefiting more than one program have been allocated among those programs based upon factors significant to the particular cost being allocated.

Note 2 - **Changes in Accounting**

During the year ended March 31, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14 Presentation of Financial Statements of Not-for-Profit Entities and applied it retroactively to the year ended March 31, 2018. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes for the Organization include 1) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", 2) an analysis of expenses by both natural and functional classification, and 3) presenting disclosure on the liquidity and availability of resources. These changes have no effect on the change in net assets for the years ended March 31, 2019 or 2018.

Note 3 - **Liquidity and Availability**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates generating sufficient revenue to cover general expenditures.

The following shows the total financial assets to meet general expenditures over the next twelve months as of December 31, 2018:

Cash and cash equivalents	\$ 2,177,198
Accounts receivable	124,000
Pledges receivable	<u>101,522</u>
Total	<u>\$ 2,402,720</u>

Note 4 - **Cash – Restricted**

Cash – restricted consists of savings accounts totaling \$383,273 and \$174,167 at March 31, 2019 and 2018, respectively. 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 7). The interest income generated from these accounts can be used for educational purposes, operations, and maintenance and repairs to the stable and gatehouse.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

Note 5 - 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:

	2019	2018
Receivable in less than one year	\$ 101,522	\$ 66,200
Receivable in one to five years	<u>140,500</u>	<u>112,659</u>
Total pledges receivable	242,022	178,859
Less: Discounts to present value	<u>(6,368)</u>	<u>(6,976)</u>
Net	235,654	171,883
Current portion	<u>101,522</u>	<u>66,200</u>
Long-term portion	<u>\$ 134,132</u>	<u>\$ 105,683</u>

Note 6 - Board Designated Operating Reserve Fund

During the year ended March 31, 2018, the Board of Directors established an operating reserve fund to hold liquid assets that can be accessed to cover unbudgeted financial needs or emergencies or to take advantage of strategic opportunities. As of March 31, 2019 and 2018, there was \$37,500 and \$25,000, respectively, of net assets designated toward this fund.

Note 7 - Net Assets with Donor Restrictions

Net assets consist of the following amounts that were received with temporary donor stipulations and unexpended as of March 31:

	2019	2018
Purpose restricted	\$ 196,904	\$ 143,430
Time restricted (pledges receivable in future years):	<u>70,233</u>	<u>167,681</u>
Total net assets with temporary donor restrictions	<u>\$ 267,137</u>	<u>\$ 311,111</u>

The Organization's net assets with permanent donor restrictions 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's total net assets with permanent donor restrictions include: (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.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

Note 7 - continued

The remaining portion of the donor-restricted endowment fund that is not permanently restricted is still included as net assets with temporary donor restrictions 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 net assets without donor restrictions. 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. As of March 31, 2019 and 2018, 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, 2019 and 2018, the Organization earned interest of \$80 and \$61, respectively, which was appropriated for expenditure in accordance with the spending policy.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

Note 7 - continued

The following schedule details the net assets with permanent donor restrictions as well as the donors' intended use of the income earned on these endowment funds as of March 31:

	2019	2018
Income to be used for:		
Educational expenses	\$ 114,000	\$ 114,000
Maintenance of stable and gatehouse	17,667	17,667
Operations	<u>305,355</u>	<u>42,500</u>
Total	<u>\$ 437,022</u>	<u>\$ 174,167</u>

Note 8 - **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, 2019 and 2018, the Organization contributed \$18,835 and \$19,096, 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 9 - **Bad Debt**

As of March 31, 2017, the Organization was owed a \$100,000 bequest from an estate. Based on information from the estate's legal counsel, collection of the pledge currently appears unlikely and, as a result, management made the decision to write this amount off as a bad debt during the year ended March 31, 2018.

Note 10 - **Concentration of Risk**

The Organization maintains all of its deposits with a commercial bank. 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, 2019 and 2018, the Organization had \$838,575 and \$672,513 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.

The Organization also maintains deposits in a credit union which at times exceeded amounts covered by insurance provided by the National Credit Union Administration. Management monitors the financial condition of the credit union and believes there is no significant risk with respect to these deposits. There was \$1,248,720 in uninsured deposits at March 31, 2019. There were no uninsured deposits with this credit union at March 31, 2018.

Note 11 - **Related Party Transactions**

Total contributions from all board trustees amounted to \$1,147,697 and \$1,100,007 for the years ended March 31, 2019 and 2018, respectively. There was \$100,145 and \$40,533 in outstanding pledges from board trustees at March 31, 2019 and 2018, respectively.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

Note 12 - Loss on Disposal of Assets

The Organization recognized a loss on disposal of assets related to the reconstruction of the terrace of the main house during the year ended March 31, 2019. The original restoration of the terrace was completed during the year ended March 31, 2001 and was assigned a depreciable life of fifty years. Due to water infiltration and other factors, the terrace deteriorated at a much faster rate. Reconstruction of the terrace was substantially completed during the year ended March 31, 2019. The Organization wrote off the remaining net book value of \$167,207 from the original restoration and recognized the resulting loss on disposal of assets.

Note 13 - Board of Trustees

During the fiscal years ended March 31, 2019 and 2018, the Organization increased its number of trustees by four and one, respectively, bringing the total number of board members to twenty-two and twenty at March 31, 2019 and 2018, respectively.

Note 14 - Subsequent Events

On April 12, 2019, the board of trustees elected one additional individual to the board, bringing the total number of board members to twenty-three.

Management has evaluated subsequent events through May 29, 2019, 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, 2019

DESCRIPTION	Balance March 31, 2018	Cash Expenditures	Accounts Payable	Sub-total	Placed in Service	Balance March 31, 2019
Stable	\$ 70,000	\$ 62,867	\$ 750	\$ 133,617	\$ 132,567	\$ 1,050
Terrace	107,191	341,609	159,776	608,576		608,576
Greenhouse		14,901		14,901		14,901
Facilities building		1,288	4,200	5,488		5,488
TOTAL	<u>\$ 177,191</u>	<u>\$ 420,665</u>	<u>\$ 164,726</u>	<u>\$ 762,582</u>	<u>\$ 132,567</u>	<u>\$ 630,015</u>

See auditors' report.