

EDITH WHARTON RESTORATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

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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, 2020 and 2019, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020 and 2019, 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.

Emphasis-of-Matter

Change in Accounting Principle

As described in note 2 to the financial statements, the Organization adopted Accounting Standards Update 2016-18 (Statement of Cash Flows). Our opinion is not modified with respect to this matter.

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 20 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.

Zombaschi, Climent & Keegan

June 23, 2020

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

ASSETS

	March 31,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,344,814	\$ 2,177,198
Cash - restricted, current	181,427	70,233
Total cash and cash equivalents (see Note 4)	1,526,241	2,247,431
Accounts receivable	-	124,000
Other receivable	2,440	-
Pledges receivable - current (see Note 5)	1,135,583	101,522
Accrued interest receivable	1,205	-
Inventory - gift shop	45,550	47,012
Prepaid expenses	42,791	18,914
TOTAL CURRENT ASSETS	2,753,810	2,538,879
PROPERTY AND EQUIPMENT		
Land	65,710	65,710
Buildings and restoration costs	7,407,252	6,602,567
Equipment and software	309,734	303,946
Motor vehicles	40,530	40,530
Construction-in-progress	43,007	630,015
Total cost	7,866,233	7,642,768
Less: accumulated depreciation	(3,317,497)	(3,132,371)
NET PROPERTY AND EQUIPMENT	4,548,736	4,510,397
OTHER ASSETS		
Cash - board-designated (see Note 4)	1,613,427	-
Cash - restricted, net of current portion (see Note 4)	1,512,379	313,040
Pledges receivable, net of current portion (see Note 5)	3,668,691	134,132
Investments (see Note 6)	1,272,786	-
Archives	537,355	537,355
Library collection	642,860	619,701
TOTAL OTHER ASSETS	9,247,498	1,604,228
TOTAL ASSETS	\$ 16,550,044	\$ 8,653,504

See accompanying notes and auditors' report.

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

LIABILITIES AND NET ASSETS

	March 31,	
	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 73,629	\$ 202,885
Accrued expenses	50,875	38,508
Sales tax payable	4	17
Deferred income	<u>107,016</u>	<u>114,626</u>
TOTAL CURRENT LIABILITIES	<u>231,524</u>	<u>356,036</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,001,576	1,888,356
Board-designated operating reserve fund (see Note 7)	1,317,500	37,500
Board-designated endowment fund (see Note 8)	556,484	-
Net investment in property and equipment	4,548,736	4,510,397
Net investment in archives and library collection	<u>1,180,215</u>	<u>1,157,056</u>
Total without donor restrictions	8,604,511	7,593,309
With donor restrictions (see Note 8)	<u>7,714,009</u>	<u>704,159</u>
TOTAL NET ASSETS	<u>16,318,520</u>	<u>8,297,468</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,550,044</u>	<u>\$ 8,653,504</u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2020 AND 2019**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Contributions, grants and fundraising	\$ 1,788,732	\$ 7,926,223	\$ 9,714,955	\$ 3,314,023
Tours of The Mount	428,625		428,625	405,443
Sales income	385,623		385,623	385,388
Rental income	115,238		115,238	128,050
Memberships	82,335		82,335	78,175
Program revenue	70,903		70,903	77,782
Other income	7,791		7,791	4,453
Net assets released from restrictions:				
Satisfaction of program and time restrictions	916,373	(916,373)	-	-
TOTAL REVENUE AND SUPPORT	<u>3,795,620</u>	<u>7,009,850</u>	<u>10,805,470</u>	<u>4,393,314</u>
EXPENSES				
Program	2,171,425		2,171,425	2,168,543
Management & general	152,178		152,178	114,731
Fundraising	311,873		311,873	224,187
TOTAL EXPENSES	<u>2,635,476</u>	<u>-</u>	<u>2,635,476</u>	<u>2,507,461</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME (LOSS)	1,160,144	7,009,850	8,169,994	1,885,853
INVESTMENT INCOME (LOSS), NET	<u>(148,942)</u>		<u>(148,942)</u>	<u>20,472</u>
CHANGE IN NET ASSETS	1,011,202	7,009,850	8,021,052	1,906,325
NET ASSETS - BEGINNING	<u>7,593,309</u>	<u>704,159</u>	<u>8,297,468</u>	<u>6,391,143</u>
NET ASSETS - ENDING	<u>\$ 8,604,511</u>	<u>\$ 7,714,009</u>	<u>\$ 16,318,520</u>	<u>\$ 8,297,468</u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions, grants and fundraising	\$ 2,927,256	\$ 386,767	\$ 3,314,023
Tours of The Mount	405,443		405,443
Sales income	385,388		385,388
Rental income	128,050		128,050
Memberships	78,175		78,175
Program revenue	77,782		77,782
Other income	4,453		4,453
Net assets released from restrictions:			
Satisfaction of program and time restrictions	167,886	(167,886)	-
TOTAL REVENUE AND SUPPORT	4,174,433	218,881	4,393,314
EXPENSES			
Program	2,168,543		2,168,543
Management & general	114,731		114,731
Fundraising	224,187		224,187
TOTAL EXPENSES	2,507,461	-	2,507,461
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME (LOSS)	1,666,972	218,881	1,885,853
INVESTMENT INCOME, NET	20,472		20,472
CHANGE IN NET ASSETS	1,687,444	218,881	1,906,325
NET ASSETS - BEGINNING	5,905,865	485,278	6,391,143
NET ASSETS - ENDING	\$ 7,593,309	\$ 704,159	\$ 8,297,468

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MARCH 31, 2020 AND 2019

	Program	Management & General	Fundraising	2020 Total	2019 Total
Salaries and wages	\$ 857,830	\$ 84,853	\$ 166,515	\$ 1,109,198	\$ 913,514
Repairs and maintenance	260,074			260,074	237,383
Depreciation	186,126			186,126	171,116
Employee benefits and taxes	147,303	10,846	26,613	184,762	161,163
Cost of goods sold	177,409			177,409	192,800
Advertising and marketing	89,122		5,625	94,747	74,955
Development costs	28,850		55,742	84,592	108,405
Utilities and telephone	75,972		239	76,211	72,100
Consulting	43,910	30,107		74,017	-
Office supplies and postage	46,695	521	24,631	71,847	68,977
Insurance	63,226	4,050		67,276	59,135
Information technology	27,938		4,603	32,541	43,418
Professional fees	10,133	19,171		29,304	34,684
Travel and lodging	23,038		4,877	27,915	41,373
Bank and merchant fees	26,272		865	27,137	27,833
Miscellaneous	21,698	1,821	1,797	25,316	5,723
Food and beverage	8,456	265	15,823	24,544	22,226
Rental expenses	23,376		43	23,419	22,364
Curatorial and exhibition costs	22,012			22,012	9,121
Visitor services expenses	15,850		150	16,000	24,850
Lecture and program expenses	14,060			14,060	7,600
Bad debts			4,350	4,350	-
Permits, licenses and taxes	2,075	544		2,619	2,554
Loss on disposal of assets				-	167,207
Publishing				-	38,960
TOTAL EXPENSES	\$ 2,171,425	\$ 152,178	\$ 311,873	\$ 2,635,476	\$ 2,507,461

See accompanying notes and auditors' report.

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

	Program	Management & General	Fundraising	2019 Total
Salaries and wages	\$ 752,478	\$ 66,218	\$ 94,818	\$ 913,514
Repairs and maintenance	237,383			237,383
Depreciation	171,116			171,116
Employee benefits and taxes	134,398	8,485	18,280	161,163
Cost of goods sold	192,800			192,800
Advertising and marketing	73,807		1,148	74,955
Development costs	35,955		72,450	108,405
Utilities and telephone	71,962		138	72,100
Office supplies and postage	50,203	1,283	17,491	68,977
Insurance	55,095	4,040		59,135
Information technology	35,339		8,079	43,418
Professional fees	4,455	30,229		34,684
Travel and lodging	38,102	80	3,191	41,373
Bank and merchant fees	25,266	1,424	1,143	27,833
Miscellaneous	3,292	2,281	150	5,723
Food and beverage	15,080	147	6,999	22,226
Rental expenses	22,364			22,364
Curatorial and exhibition costs	9,121			9,121
Visitor services expenses	24,550		300	24,850
Lecture and program expenses	7,600			7,600
Permits, licenses and taxes	2,010	544		2,554
Loss on disposal of assets	167,207			167,207
Publishing	38,960			38,960
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>

See accompanying notes and auditors' report.

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

	Years Ended	
	March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,021,052	\$ 1,906,325
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash donations of marketable securities	(3,180,241)	(468,447)
Non-cash donation to the library collection	(12,500)	-
Depreciation	186,126	171,116
Bad debts	4,350	-
Realized (gain) loss on sale of marketable securities	(4,983)	4,017
Unrealized loss on marketable securities	216,226	-
Loss on disposal of assets	-	167,207
(Increase) decrease in:		
Accounts receivable	124,000	(120,534)
Other receivable	(2,440)	-
Pledges receivable	(4,572,970)	(63,771)
Accrued interest receivable	(1,205)	-
Inventory - gift shop	1,462	(12,024)
Prepaid expenses	(23,877)	(6,831)
Increase (decrease) in:		
Accounts payable	15,726	24,596
Accrued expenses	12,367	7,747
Sales tax payable	(13)	(21)
Deferred income	(7,610)	13,906
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>775,470</u>	<u>1,623,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(1,489,012)	-
Proceeds from sale of marketable securities	3,185,224	464,430
Purchases of archives	-	(14,491)
Purchases for the library collection	(10,659)	-
Purchases of property and equipment	(369,447)	(434,171)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,316,106</u>	<u>15,768</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED	2,091,576	1,639,054
CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED - BEGINNING	<u>2,560,471</u>	<u>921,417</u>
CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED - ENDING	<u><u>\$ 4,652,047</u></u>	<u><u>\$ 2,560,471</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</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, 2020 AND 2019**

Note 1 - **Nature of Activities and Significant Accounting Policies**

Nature of Activities

Edith Wharton Restoration, Inc. (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 may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax position include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

Basis of Accounting

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

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

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

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 along with all board-designated and donor restricted cash.

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, 2020 AND 2019

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, 2020 and 2019.

Pledges

Contributions are recognized when a donor makes a pledge to give to the Organization that is, in substance, unconditional. Unconditional pledges to give are reported at net realizable value if, at the time the pledge is made, collection is expected to be received in one year or less. Unconditional pledges to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization.

Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional pledges to give are recognized only when the conditions on which they depend are substantially met.

Contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor-imposed 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 promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No such allowance was considered necessary at March 31, 2020 or 2019.

Contributed Services

During the years ended March 31, 2020 and 2019, 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.

Investments and Investment Income

Investments are presented in the financial statements at fair market value. Donated investments are recorded at fair market value at the date of donation. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains and losses are included in revenue. Gains and losses on the sale of investments are recorded using the average cost method.

Estimates

The preparation of financial statements in conformity with US GAAP 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 Financial Accounting Standards Board (FASB)'s guidance on fair value measurements establishes a framework for measuring the fair value of assets and liabilities and expanded related disclosures. FASB's guidance requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level valuation hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1 - continued

Fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Preference is given to observable inputs.

The Organization determines the fair values of its financial assets and liabilities, as well as non-financial 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 US GAAP for fair value measurements as follows:

- Level 1:** Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities. The Organization currently has investments (see Note 6) that are measured at fair value on a recurring basis.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices for identical assets and liabilities in markets that are not active; quoted prices for similar assets and liabilities in active markets; or financial instruments for which significant inputs are observable, either directly or indirectly. The Organization currently has no Level 2 assets or liabilities.
- Level 3:** Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The Organization currently has no Level 3 assets or liabilities.

The guidance requires the use of observable data if such data is available without undue cost and efforts.

When available, the Organization uses unadjusted quoted market prices to measure the fair value and classifies such items within Level 1. Level 1 securities primarily includes publicly-traded equity securities, exchange traded funds and mutual funds.

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.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1 - continued

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 the deaccession of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

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, 2020 or 2019.

Revenue Recognition

Tour revenue is recognized when the visitors are onsite. Sales income is recognized at the point of sale. Membership revenue is recognized in the period received and program revenue is recorded in the period the related services are provided. Rental income is recorded in the period earned.

Deferred Revenue

The Organization presents revenue received for periods following year-end (primarily wedding and other site rental deposits) as deferred revenue in the accompanying Statements of Financial Position.

Advertising

Advertising costs are charged to operations as incurred. Such costs for the years ended March 31, 2020 and 2019 amounted to \$94,747 and \$74,955, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses which are allocated on the basis of estimated time and effort and occupancy-related expenses which are allocated based on facilities usage.

Note 2 - **Adoption of New Accounting Standard**

Accounting Standards Codification (ASC) 230, Statement of Cash Flows

In November 2016, FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230). This ASU requires the Organization to report in the statement of cash flows the change in cash, cash equivalents, and restricted cash between the beginning and end of each period presented.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019**

Note 2 - continued

Previously, the Statement of Cash Flows excluded restricted cash from beginning and ending cash and cash equivalents.

The ASU also requires the Organization to disclose information about the nature of restrictions on its cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Organization is also required to disclose the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the balance sheet. The Organization adopted the new standard effective April 1, 2019, the first day of the Organization's fiscal year and applied it retrospectively to the year ended March 31, 2019.

Note 3 - **Liquidity and Availability**

The Organization regularly monitors the 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 March 31:

	2020	2019
Cash and cash equivalents	\$ 1,344,814	\$ 2,177,198
Cash - board-designated	1,613,427	-
Accounts receivable	-	124,000
Other receivable	2,440	-
Pledges receivable, current	<u>63,250</u>	<u>101,522</u>
Total	<u>\$ 3,023,931</u>	<u>\$ 2,402,720</u>

Note 4 - **Cash and Cash Equivalents, Cash – Board-Designated and Restricted Cash**

The following is a reconciliation of cash and cash equivalents and restricted cash reported within the Statements of Financial Position that sums to the total of the same such amounts shown in the Statements of Cash Flows at March 31:

	2020	2019
Cash and cash equivalents	\$ 1,526,241	\$ 2,247,431
Cash - board-designated	1,613,427	-
Cash - restricted, net of current portion	<u>1,512,379</u>	<u>313,040</u>
Total cash and cash equivalents per the Statement of Cash Flows	<u>\$ 4,652,047</u>	<u>\$ 2,560,471</u>

Cash - restricted, current consists of amounts received with donor restrictions which have not been spent for their designated purpose. Cash - board-designated consist of amounts held in the board-designated operating reserve and endowment fund. Cash - restricted, net of current portion consists of amounts in investment accounts received with donor restrictions which are to be held in perpetuity.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019**

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:

	2020	2019
Receivable in less than one year	\$1,135,583	\$ 101,522
Receivable in one to five years	<u>4,003,776</u>	<u>140,500</u>
Total pledges receivable	5,139,359	242,022
Less: discounts to present value	<u>(335,085)</u>	<u>(6,368)</u>
Net	4,804,274	235,654
Current portion	<u>1,135,583</u>	<u>101,522</u>
Long-term portion	<u>\$3,668,691</u>	<u>\$ 134,132</u>

Note 6 - Investments

Investments consist of both donor-restricted and board-designated operating and endowment funds. Investments are recorded in the financial statements at fair value. Cost and fair value information as of March 31, 2020 is as follows:

	Cost	Fair Value (Level 1)	Unrealized Gain(Loss)
Fixed income funds	\$ 467,787	\$ 458,095	\$ (9,692)
Equity mutual funds	<u>1,021,225</u>	<u>814,691</u>	<u>(206,534)</u>
Total	<u>\$ 1,489,012</u>	<u>\$ 1,272,786</u>	<u>\$ (216,226)</u>

The endowment funds and other net assets with donor restrictions are included in the investment portfolio and are to be maintained in accordance with the Organization's corporate spending policy described in Note 8.

Investment income (loss), net for the years ended March 31 consisted of the following:

	2020	2019
Interest and dividends	\$ 70,423	\$ 20,472
Realized gains	4,983	-
Unrealized gains (losses)	(216,226)	-
Fees	<u>(8,122)</u>	<u>-</u>
Investment income (loss), net	<u>\$(148,942)</u>	<u>\$ 20,472</u>

Note 7 - Board-Designated Operating Reserve Fund

During the year ended March 31, 2018, the Board of Trustees established an operating reserve fund that can be accessed by a majority vote of the Board of Trustees to cover unbudgeted financial needs or emergencies or to take advantage of strategic opportunities. As of March 31, 2020 and 2019, there was \$1,317,500 and \$37,500, respectively, of net assets designated toward this fund.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 8 - Endowment and Net Assets with Donor Restrictions

The Organization's endowment consists of both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent donor stipulations to the contrary, the Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment; (2) the original value of subsequent gifts to the perpetual endowment; and (3) accumulations to the perpetual 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 retained in perpetuity are subject to appropriation 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which include equity securities. The Organization expects its endowment assets, over time, to produce an average rate of return that exceeds inflation as measured by the consumer price index plus four percent. Actual returns in any given year may vary from these amounts. Investment risk is measured in terms of the total endowment fund; investment asset and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy

Although the Commonwealth of Massachusetts permits appropriations of greater amounts, the Board of Trustees adopted a corporate spending policy providing that the Organization will withdraw or spend from its board-designated and restricted endowment funds 4% of the average value of these funds, including accumulated income, at the end of each of the Organization's preceding twelve fiscal quarters ending three months prior to the fiscal year end. Until the endowment has established a twelve-quarter rolling average (December 31, 2022), there will be no spending from the endowment. The policy also includes, as an exception, expenditures from the board-designated fund, if authorized by a two-thirds vote of the entire Board of Trustees, for financial emergencies or serious unanticipated financial needs that could jeopardize its ability to continue its program activities. 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.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (an "underwater endowment"). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019**

Note 8 - continued

At March 31, 2020, funds with original gift values of \$2,728,308, fair values of \$2,561,919 and deficiencies of \$166,389 were reported in net assets with donor restrictions. During the year, the Organization did not appropriate any expenditures from underwater endowments. Management expects that over time, the amounts will be fully recovered. There were no funds with deficiencies at March 31, 2019.

Endowment net asset composition by type as of March 31 2020 is as follows:

	Total
Endowment funds with donor restrictions	\$ 6,473,873
Board-designated endowment funds without donor restrictions	<u>556,484</u>
Total	<u>\$ 7,030,357</u>

Changes in endowment net assets for the year ended March 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 437,022	\$ 437,022
Contributions	<u>582,608</u>	<u>6,036,851</u>	<u>6,620,707</u>
Investment return:			
Interest and dividends	2,225	20,886	23,111
Realized gains	-	4,019	4,019
Unrealized gains (losses)	(28,745)	(184,747)	(213,492)
Fees	<u>(852)</u>	<u>(7,031)</u>	<u>(7,883)</u>
Total investment return (loss)	<u>(27,372)</u>	<u>(166,873)</u>	<u>(194,245)</u>
Due from net assets without donor restrictions	<u>-</u>	<u>166,873</u>	<u>166,873</u>
End of year	<u>\$ 555,236</u>	<u>\$ 6,473,873</u>	<u>\$ 7,030,357</u>

Endowment net asset composition by type as of March 31, 2019 is as follows:

	Total
Endowment funds with donor restrictions	\$ 437,022
Board-designated endowment funds without donor restrictions	<u>-</u>
Total	<u>\$ 437,022</u>

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019**

Note 8 - continued

Changes in endowment net assets for the year ended March 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ _____ -	\$ 174,167	\$ 174,167
Contributions	_____ -	262,855	262,855
Investment return:			
Interest	_____ -	80	80
Total investment return	_____ -	80	80
Appropriation of endowment assets for expenditure	_____ -	(80)	(80)
End of year	<u>\$ _____ -</u>	<u>\$ 437,022</u>	<u>\$ 437,022</u>

Total net assets with donor restrictions consisted of the following at March 31:

	2020	2019
Donor-restricted endowment funds	\$ 6,473,873	\$ 437,022
Time-restricted pledges	1,058,709	70,233
Purpose-restricted gifts	<u>181,427</u>	<u>196,904</u>
Total	<u>\$ 7,714,009</u>	<u>\$ 704,159</u>

Note 9 - 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, 2020 and 2019, the Organization contributed \$21,256 and \$18,835, 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 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, 2020 and 2019, the Organization had \$23,303 and \$838,575, respectively, 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 were no uninsured deposits at March 31, 2020. There was \$1,248,720 in uninsured deposits with this credit union at March 31, 2019.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 11 - Related Party Transactions

Total contributions from all board trustees amounted to \$8,398,933 and \$1,147,697 for the years ended March 31, 2020 and 2019, respectively. There was \$4,733,480 and \$100,145 in outstanding pledges from board trustees at March 31, 2020 and 2019, respectively.

During the year ended March 31, 2020, the Organization invested its operating reserve and endowment funds with a trust/investment management company. A member of the Organization's board of trustees has an income interest in a trust with an indirect ownership interest in the trust/investment management company. This trustee did not participate in any discussion or vote pertaining to the Organization's hiring of the company. As of March 31, 2020, The Organization's funds invested with this company constituted 0.3% of the company's total funds under management. Total investment fees paid to this company were \$8,122 for the year ended March 31, 2020.

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, 2020 and 2019, the Organization increased its number of trustees by two and four, respectively, bringing the total number of board members to twenty-two at March 31, 2020 and 2019. Two trustees retired from the board during the fiscal year ended March 31, 2020.

Note 14 - Reclassification

Certain amounts in the financial statements for the year ended March 31, 2019 have been reclassified to conform with the presentation for the year ended March 31, 2020. These reclassifications had no effect on the change in net assets for the year ended March 31, 2019.

Note 15 - Subsequent Events

Management has evaluated subsequent events through June 23, 2020, the date on which the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through voluntary and mandated closings of businesses. While the disruption is expected to be temporary, there is uncertainty around the duration of the closings. The Organization expects the COVID-19 crisis to have a negative impact on its operating results. The duration of the closings and the related financial impact cannot be reasonably estimated at this time.

In April 2020, the Organization borrowed \$245,200 under the Payroll Protection Program, a program offered through the U.S. Small Business Administration (SBA) designed to provide a direct incentive for small businesses to keep their employees on payroll. The loan bears interest at 1%, defers all payments for six months, and has a maturity date of April 15, 2022. The SBA may forgive all or a portion of the loan to the extent that employees are kept on payroll and the funds are used for payroll, rent, mortgage interest, or utilities, subject to certain limitations. The amount of the Organization's loan that will be forgiven is unknown at this time. Any forgiveness of the loan amount will be recognized as income by the Organization at that time.

On June 15, 2020, the National Endowment for the Humanities (NEH) informed the Organization that it had been approved for a NEH CARES award of \$300,000. This emergency relief funding will be used to support humanities-related programming and staff costs through December 2020.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019**

Note 15 - continued

Formal notification of the award from the NEH Office of Grant Management is still pending. Management has no reason to believe it will not be forthcoming.

EDITH WHARTON RESTORATION, INC.
SUPPLEMENTAL SCHEDULE OF CONSTRUCTION-IN-PROGRESS
YEAR ENDED MARCH 31, 2020

DESCRIPTION	Balance March 31, 2019	Cash Expenditures	Accounts Payable	Sub-total	Placed in Service	Balance March 31, 2020
Stable	\$ 1,050	\$ 3,763		\$ 4,813	\$ 4,813	\$ -
Terrace	608,576	122,505		731,081	731,081	-
Greenhouse	14,901	6,619		21,520	21,520	-
Facilities building	5,488			5,488		5,488
Drainage project		31,553		31,553	31,553	-
Control system		15,719		15,719	15,719	-
Carpeting		5,000		5,000		5,000
Terrace - Phase II		975	6,975	7,950		7,950
Gatehouse		2,750	6,581	9,331		9,331
Forecourt		3,450	3,713	7,163		7,163
Audio system		5,600		5,600		5,600
Window restoration			2,475	2,475		2,475
TOTAL	\$ 630,015	\$ 197,934	\$ 19,744	\$ 847,693	\$ 804,686	\$ 43,007

See auditors' report.