

EDITH WHARTON RESTORATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 2014-09 (Revenue from Contracts with Customers). 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 21 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.

Zambardi, Claire "Receiv"

June 2, 2021

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

ASSETS

	March 31,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,109,802	\$ 1,344,814
Cash - restricted, current	<u>172,911</u>	<u>181,427</u>
Total cash and cash equivalents (see Note 4)	2,282,713	1,526,241
Other receivable	-	2,440
Pledges receivable - current (see Note 5)	1,186,900	1,135,583
Accrued interest receivable	-	1,205
Inventory - gift shop	42,802	45,550
Prepaid expenses	<u>25,873</u>	<u>42,791</u>
TOTAL CURRENT ASSETS	<u>3,538,288</u>	<u>2,753,810</u>
PROPERTY AND EQUIPMENT		
Land	65,710	65,710
Buildings and restoration costs	7,453,534	7,407,252
Equipment and software	283,485	309,734
Motor vehicles	100,519	40,530
Construction-in-progress	<u>199,975</u>	<u>43,007</u>
Total cost	8,103,223	7,866,233
Less: accumulated depreciation	<u>(3,461,159)</u>	<u>(3,317,497)</u>
NET PROPERTY AND EQUIPMENT	<u>4,642,064</u>	<u>4,548,736</u>
OTHER ASSETS		
Cash - board-designated operating reserve (see Notes 4 and 8)	1,321,309	1,254,023
Cash - board-designated endowment funds (see Note 4)	12,045	359,404
Cash - restricted, net of current portion (see Note 4)	63,069	1,512,379
Pledges receivable, net of current portion (see Note 5)	2,537,143	3,668,691
Investments (see Note 6)	4,950,661	1,272,786
Archives	537,355	537,355
Library collection	<u>643,447</u>	<u>642,860</u>
TOTAL OTHER ASSETS	<u>10,065,029</u>	<u>9,247,498</u>
TOTAL ASSETS	<u><u>\$ 18,245,381</u></u>	<u><u>\$ 16,550,044</u></u>

See accompanying notes and auditors' report.

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

LIABILITIES AND NET ASSETS

	March 31,	
	2021	2020
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 12,266	\$ -
Accounts payable	71,299	73,629
Accrued expenses	17,933	50,875
Sales tax payable	1	4
Deferred income	<u>203,621</u>	<u>107,016</u>
TOTAL CURRENT LIABILITIES	<u>305,120</u>	<u>231,524</u>
LONG-TERM DEBT, net of current portion	<u>224,554</u>	<u>-</u>
TOTAL LIABILITIES	<u>529,674</u>	<u>231,524</u>
NET ASSETS		
Without donor restrictions		
Undesignated	1,648,803	1,036,576
Board-designated operating reserve fund (see Note 8)	1,321,309	1,317,500
Board-designated endowment fund (see Note 9)	876,464	521,484
Net investment in property and equipment	4,642,064	4,548,736
Net investment in archives and library collection	<u>1,180,802</u>	<u>1,180,215</u>
Total without donor restrictions	9,669,442	8,604,511
With donor restrictions (see Note 9)	<u>8,046,265</u>	<u>7,714,009</u>
TOTAL NET ASSETS	<u>17,715,707</u>	<u>16,318,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,245,381</u></u>	<u><u>\$ 16,550,044</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Contributions, grants and fundraising	\$ 2,061,185	\$ 504,314	\$ 2,565,499	\$ 9,714,955
Tours of The Mount	272,232		272,232	428,625
Sales income	145,334		145,334	385,623
Rental income	18,244		18,244	115,238
Memberships	72,890		72,890	82,335
Program revenue	14,370		14,370	70,903
Other income	100		100	7,791
Net assets released from restrictions:				
Satisfaction of program and time restrictions	540,037	(540,037)	-	-
TOTAL REVENUE AND SUPPORT	<u>3,124,392</u>	<u>(35,723)</u>	<u>3,088,669</u>	<u>10,805,470</u>
EXPENSES				
Program	2,153,920		2,153,920	2,171,425
Management & general	139,258		139,258	152,178
Fundraising	271,555		271,555	311,873
TOTAL EXPENSES	<u>2,564,733</u>	<u>-</u>	<u>2,564,733</u>	<u>2,635,476</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS)	<u>559,659</u>	<u>(35,723)</u>	<u>523,936</u>	<u>8,169,994</u>
OTHER INCOME (LOSS)				
Gain on extinguishment of debt	247,277		247,277	-
Investment income (loss), net	257,995	367,979	625,974	(148,942)
TOTAL OTHER INCOME (LOSS)	<u>505,272</u>	<u>367,979</u>	<u>873,251</u>	<u>(148,942)</u>
CHANGE IN NET ASSETS	<u>1,064,931</u>	<u>332,256</u>	<u>1,397,187</u>	<u>8,021,052</u>
NET ASSETS - BEGINNING	<u>8,604,511</u>	<u>7,714,009</u>	<u>16,318,520</u>	<u>8,297,468</u>
NET ASSETS - ENDING	<u>\$ 9,669,442</u>	<u>\$ 8,046,265</u>	<u>\$ 17,715,707</u>	<u>\$ 16,318,520</u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions, grants and fundraising	\$ 1,788,732	\$ 7,926,223	\$ 9,714,955
Tours of The Mount	428,625		428,625
Sales income	385,623		385,623
Rental income	115,238		115,238
Memberships	82,335		82,335
Program revenue	70,903		70,903
Other income	7,791		7,791
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>
EXPENSES			
Program	2,171,425		2,171,425
Management & general	152,178		152,178
Fundraising	311,873		311,873
TOTAL EXPENSES	<u>2,635,476</u>	<u>-</u>	<u>2,635,476</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME (LOSS)	1,160,144	7,009,850	8,169,994
INVESTMENT INCOME (LOSS), NET	<u>(148,942)</u>		<u>(148,942)</u>
CHANGE IN NET ASSETS	1,011,202	7,009,850	8,021,052
NET ASSETS - BEGINNING	<u>7,593,309</u>	<u>704,159</u>	<u>8,297,468</u>
NET ASSETS - ENDING	<u><u>\$ 8,604,511</u></u>	<u><u>\$ 7,714,009</u></u>	<u><u>\$ 16,318,520</u></u>

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2020)

	Program	Management & General	Fundraising	2021 Total	2020 Total
Salaries and wages	\$ 823,602	\$ 79,468	\$ 167,007	\$ 1,070,077	\$ 1,109,198
Repairs and maintenance	281,101			281,101	260,074
Consulting	260,394	16,824	465	277,683	74,017
Depreciation	195,995			195,995	186,126
Employee benefits and taxes	156,225	12,328	26,948	195,501	184,762
Advertising and marketing	70,943		420	71,363	94,747
Cost of goods sold	69,154			69,154	177,409
Insurance	64,612	4,271		68,883	67,276
Development costs	18,600		45,798	64,398	84,592
Utilities and telephone	59,349		185	59,534	76,211
Supplies and postage	42,812	1,155	11,031	54,998	71,847
Information technology	30,593		5,203	35,796	32,541
Professional fees	5,707	21,925		27,632	29,304
Visitor services expenses	21,100		6,000	27,100	16,000
Bank and merchant fees	20,855		63	20,918	27,137
Rental expenses	19,781			19,781	23,419
Miscellaneous	6,193	166	255	6,614	25,316
Curatorial and exhibition costs	5,303			5,303	22,012
Food and beverage	401		3,943	4,344	24,544
Bad debts			3,750	3,750	4,350
Interest		2,077		2,077	-
Permits, licenses and taxes	910	1,044		1,954	2,619
Travel and lodging	290		487	777	27,915
Lecture and program expenses				-	14,060
TOTAL EXPENSES	\$ 2,153,920	\$ 139,258	\$ 271,555	\$ 2,564,733	\$ 2,635,476

See accompanying notes and auditors' report.

EDITH WHARTON RESTORATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020

	Program	Management & General	Fundraising	Total
Salaries and wages	\$ 857,830	\$ 84,853	\$ 166,515	\$ 1,109,198
Repairs and maintenance	260,074			260,074
Consulting	43,910	30,107		74,017
Depreciation	186,126			186,126
Employee benefits and taxes	147,303	10,846	26,613	184,762
Advertising and marketing	89,122		5,625	94,747
Cost of goods sold	177,409			177,409
Insurance	63,226	4,050		67,276
Development costs	28,850		55,742	84,592
Utilities and telephone	75,972		239	76,211
Supplies and postage	46,695	521	24,631	71,847
Information technology	27,938		4,603	32,541
Professional fees	10,133	19,171		29,304
Visitor services expenses	15,850		150	16,000
Bank and merchant fees	26,272		865	27,137
Rental expenses	23,376		43	23,419
Miscellaneous	21,698	1,821	1,797	25,316
Curatorial and exhibition costs	22,012			22,012
Food and beverage	8,456	265	15,823	24,544
Bad debts			4,350	4,350
Permits, licenses and taxes	2,075	544		2,619
Travel and lodging	23,038		4,877	27,915
Lecture and program expenses	14,060			14,060
TOTAL EXPENSES	<u>\$ 2,171,425</u>	<u>\$ 152,178</u>	<u>\$ 311,873</u>	<u>\$ 2,635,476</u>

See accompanying notes and auditors' report.

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

	Years Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,397,187	\$ 8,021,052
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash donations of marketable securities	(1,790,716)	(3,180,241)
Non-cash donation to the library collection	-	(12,500)
Forgiveness of long-term debt	(245,200)	-
Depreciation	195,995	186,126
Bad debts	3,750	4,350
Realized (gains) losses on sale of marketable securities	(3,915)	(4,983)
Unrealized (gains) losses on marketable securities	(582,315)	216,226
(Increase) decrease in:		
Accounts receivable	-	124,000
Other receivable	2,440	(2,440)
Pledges receivable	1,076,481	(4,572,970)
Accrued interest receivable	1,205	(1,205)
Inventory - gift shop	2,748	1,462
Prepaid expenses	16,918	(23,877)
Increase (decrease) in:		
Accounts payable	(15,950)	15,726
Accrued expenses	(32,942)	12,367
Sales tax payable	(3)	(13)
Deferred income	96,605	(7,610)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>122,288</u>	<u>775,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(3,386,292)	(1,489,012)
Proceeds from sale of marketable securities	2,085,363	3,185,224
Purchases for the library collection	(587)	(10,659)
Purchases of property and equipment	(275,703)	(369,447)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,577,219)</u>	<u>1,316,106</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	482,020	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>482,020</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED	(972,911)	2,091,576
CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED - BEGINNING	<u>4,652,047</u>	<u>2,560,471</u>
CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED - ENDING	<u><u>\$ 3,679,136</u></u>	<u><u>\$ 4,652,047</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, 2021 AND 2020

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 positions 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, 2021 AND 2020

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, 2021 and 2020.

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, 2021 or 2020.

Contributed Services

During the years ended March 31, 2021 and 2020, 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, 2021 AND 2020

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 include 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, 2021 AND 2020

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. Proceeds from deaccessions will be credited to the collections fund which shall be applied toward the acquisition of items for the permanent collection or conservation activities benefiting items in the permanent collection.

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, 2021 or 2020.

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, 2021 and 2020 amounted to \$71,363 and \$94,747, 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) 606, *Revenue from Contract with Customers*

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

Note 2- continued

In May 2014, the Financial Accounting Standards Boards (FASB) issued new guidance (Accounting Standards Codification (ASC) 606, *Revenue from Contract with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 31, 2020. The Organization adopted ASC 606 with a date of the initial application of April 1, 2020, the first day of the Organization's fiscal year using the full retrospective method.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

The majority of the Organization's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Organization's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of ASC 606 did not have a significant impact on the Organization's financial position, change in net assets, or cash flows. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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:

	2021	2020
Cash and cash equivalents	\$ 2,109,802	\$ 1,344,814
Cash - board-designated operating reserve	1,321,309	1,254,023
Other receivable	-	2,440
Pledges receivable, current	<u>130,500</u>	<u>63,250</u>
Total	<u>\$ 3,561,611</u>	<u>\$ 2,664,527</u>

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

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:

	2021	2020
Cash and cash equivalents	\$ 2,282,713	\$ 1,526,241
Cash - board-designated operating reserve	1,321,309	1,254,023
Cash - board designated endowment funds	12,045	359,404
Cash - restricted, net of current portion	<u>63,069</u>	<u>1,512,379</u>
Total cash and cash equivalents per the Statement of Cash Flows	<u>\$ 3,679,136</u>	<u>\$ 4,652,047</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.

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:

	2021	2020
Receivable in less than one year	\$1,186,900	\$ 1,135,583
Receivable in one to five years	<u>2,715,214</u>	<u>4,003,776</u>
Total pledges receivable	3,902,114	5,139,359
Less: discounts to present value	<u>(178,071)</u>	<u>(335,085)</u>
Net	3,724,043	4,804,274
Current portion	<u>1,186,900</u>	<u>1,135,583</u>
Long-term portion	<u>\$2,537,143</u>	<u>\$3,668,691</u>

Note 6 - Investments

Investments consisted of both donor-restricted and board-designated endowment funds (and board designated operating funds at March 31, 2020). Investments are recorded in the financial statements at fair value. Cost and fair value information as of March 31, 2021 and 2020 is as follows:

		Fair Value (Level 1)	Unrealized Gain(Loss)
March 31, 2021	Cost		
Fixed income funds	\$ 2,593,313	\$ 2,583,116	\$ (10,197)
Equity mutual funds	<u>1,991,259</u>	<u>2,367,545</u>	<u>376,286</u>
Total	<u>\$ 4,584,572</u>	<u>\$ 4,950,661</u>	<u>\$ 366,089</u>
March 31, 2020			
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>

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

Note 6 - continued

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 9.

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

	2021	2020
Interest and dividends	\$ 62,028	\$ 70,423
Realized gains	3,915	4,983
Unrealized gains (losses)	582,315	(216,226)
Fees	<u>(22,284)</u>	<u>(8,122)</u>
Investment income (loss), net	<u>\$ 625,974</u>	<u>\$ (148,942)</u>

Note 7 - **Long-Term Debt – Notes Payable**

The Organization is obligated under the following note payable at March 31, 2021:

A term loan with Greylock Federal Credit Union, with a balance of \$236,820 which bears interest at 1%. The loan was obtained under the terms of the second round of the Payroll Protection Program and is unsecured. The Organization may apply for forgiveness of the amount due on the loan in an amount equal to the sum of eligible costs incurred by the Organization during the twenty-four-week week period following the receipt of the loan (February 10, 2021). The loan requires no payments during the first ten months and then 50 monthly payments of principal and interest on any unforgiven portion through the maturity date of February 10, 2026. Management believes the entire debt will be forgiven.	\$ 236,820
Less: Current portion	<u>12,266</u>
Net long-term portion	<u>\$ 224,554</u>

Total interest expense incurred on all debt was \$2,077 for the year ended March 31, 2021. The future minimum payments due under the note payable is as follows:

Year ending March 31,	
2022	\$ 12,226
2023	56,550
2024	57,118
2025	57,692
2026	<u>53,234</u>
Total	<u>\$ 236,820</u>

Note 8 - **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, 2021 and 2020, there was \$1,321,309 and \$1,317,500, respectively, of net assets designated toward this fund.

Note 9 - **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.

**EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020**

Note 9 - continued

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

The objective of the spending policy is to allocate the investment income of the endowment between current spending and reinvestment for future earnings and expenditures so that the purchasing power of the endowment shall be maintained or enhanced. A secondary objective is to provide a stable source of income to support the Organization's operations. For fiscal years ending March 31, 2020 through 2023, the annual endowment spending shall be zero. Beginning with the fiscal year ending March 31, 2024, budgeted annual endowment spending shall be set at 4.0% of the rolling average quarterly market value of the endowment over the previous twelve quarters ending three months prior to the Organization's March 31 fiscal year end. For purposes of this spending policy, the calculation of the rolling average quarterly market values shall be based on the endowment's quarter-end market values as reported by the investment manager to the Organization. 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.

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").

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

Note 9 - continued

The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. 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. The deficiency was fully recovered and there were no funds with deficiencies at March 31, 2021.

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

	2021	2020
Endowment funds with donor restrictions	\$ 6,647,730	\$ 6,473,873
Board-designated endowment funds without donor restrictions	<u>876,464</u>	<u>521,484</u>
Total	<u>\$ 7,524,194</u>	<u>\$ 6,995,357</u>

Changes in endowment net assets for the year ended March 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ <u>521,484</u>	\$ <u>6,473,873</u>	\$ <u>6,995,357</u>
Contributions	<u>263,471</u>	<u>173,857</u>	<u>437,328</u>
Investment return:			
Interest and dividends	9,736	48,871	58,607
Realized gains	2,213	8,178	10,391
Unrealized gains	83,330	496,251	579,581
Fees	<u>(3,770)</u>	<u>(18,448)</u>	<u>(22,218)</u>
Total investment return	<u>91,509</u>	<u>534,852</u>	<u>626,361</u>
Repayment to net assets without donor restrictions	<u>-</u>	<u>(166,873)</u>	<u>(166,873)</u>
End of year	\$ <u>876,464</u>	\$ <u>7,015,709</u>	\$ <u>7,892,173</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	\$ <u>-</u>	\$ <u>437,022</u>	\$ <u>437,022</u>
Contributions	<u>548,856</u>	<u>6,036,851</u>	<u>6,585,707</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>521,484</u>	\$ <u>6,473,873</u>	\$ <u>6,995,357</u>

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

Note 9 - continued

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

	2021	2020
Donor-restricted endowment funds	\$ 7,015,709	\$ 6,473,873
Time-restricted pledges	857,645	1,058,709
Purpose-restricted gifts	<u>172,911</u>	<u>181,427</u>
Total	<u>\$ 8,046,265</u>	<u>\$ 7,714,009</u>

Note 10 - 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, 2021 and 2020, the Organization contributed \$25,029 and \$21,256, 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 11 - 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, 2021 and 2020, the Organization had \$50,791 and \$23,303, 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 \$191,816 in uninsured deposits with this credit union at March 31, 2021. There were no uninsured deposits at March 31, 2020.

Note 12 - Related Party Transactions

Total contributions from all board trustees amounted to \$973,265 and \$8,398,933 for the years ended March 31, 2021 and 2020, respectively. There was \$3,597,543 and \$4,733,480 in outstanding pledges from board trustees at March 31, 2021 and 2020, respectively.

During the years ended March 31, 2021 and 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, 2021 and 2020, the Organization's funds invested with this company constituted less than 1% of its total funds under management. Total investment fees paid to this company were \$22,284 and \$8,122 for the years ended March 31, 2021 and 2020, respectively.

During the year ended March 31, 2021, the Organization purchased goods made by the finance director for resale in the bookstore. Total purchases were \$1,470 and there were no amounts payable to this individual at March 31, 2021.

EDITH WHARTON RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020

Note 13 - Board of Trustees

During the fiscal years ended March 31, 2021 and 2020, the Organization increased its number of trustees by two each year, bringing the total number of trustees to twenty-four at March 31, 2021 and twenty-two at March 31, 2020.

Note 14 - Reclassification

Certain amounts in the financial statements for the year ended March 31, 2020 have been reclassified to conform with the presentation for the year ended March 31, 2021. These reclassifications had no effect on the change in net assets for the year ended March 31, 2020.

Note 15 - Commitments and Contingencies

On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities recommended social distancing and imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures were designed to protect the overall public health; however, they had material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession.

The pandemic had a significant impact on the Organization forcing the cancellation or postponement of many programs and other events. However, management made adjustments to its operations to carry on with as much of its activities as possible including providing virtual programming and other activities with recommended social distancing and safety measures. The government also announced the implementation of government assistance measures to mitigate some of the impact of the COVID-19 pandemic. In April 2020, the Organization borrowed \$245,200 under the first round of 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 SBA forgave all of the loan and accrued interest as it was used to keep employees on payroll and cover other costs, as allowed under the terms of the program. A total of \$247,277, which includes principal and interest, was forgiven and is presented as gain on extinguishment of debt in the accompanying Statement of Activities for the year ended March 31, 2021.

Depending on the duration of the COVID-19 crisis, the impact on the Organization's activities for the remainder of 2021 and thereafter cannot be predicted.

Note 16 - Subsequent Events

Management has evaluated subsequent events through June 2, 2021, 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, 2021

DESCRIPTION	Balance March 31, 2020	Cash Expenditures	Accounts Payable	Sub-total	Placed in Service	Balance March 31, 2021
Facilities building	\$ 5,488	\$	\$	\$ 5,488	\$	\$ 5,488
Drawing room rug	5,000			5,000		5,000
Terrace - Phase II	7,950	12,254	1,350	21,554	21,554	-
Gatehouse	9,331		4,950	14,281		14,281
Forecourt	7,163	100,183	4,950	112,296		112,296
Audio system	5,600	20,216		25,816		25,816
Window restoration	2,475	19,233	15,386	37,094		37,094
Electrical upgrades		17,999	6,728	24,727	24,727	-
TOTAL	<u>\$ 43,007</u>	<u>\$ 169,885</u>	<u>\$ 33,364</u>	<u>\$ 246,256</u>	<u>\$ 46,281</u>	<u>\$ 199,975</u>

See auditors' report.