

**EDITH WHARTON RESTORATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Opinion***

We have audited the accompanying financial statements of Edith Wharton Restoration, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Edith Wharton Restoration, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Edith Wharton Restoration, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Edith Wharton Restoration, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Edith Wharton Restoration, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Supplementary Information**

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

*Lombardi, Clairmont & Keegan*

July 26, 2022

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

**ASSETS**

	March 31,	
	2022	2021
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,161,278	\$ 2,109,802
Cash - restricted, current	<u>89,300</u>	<u>172,911</u>
Total cash and cash equivalents (see Note 3)	2,250,578	2,282,713
Accounts receivable (see Note 14)	477,279	-
Pledges receivable - current (see Note 4)	1,056,800	1,186,900
Inventory - gift shop	39,389	42,802
Prepaid expenses	<u>35,900</u>	<u>25,873</u>
<b>TOTAL CURRENT ASSETS</b>	<u>3,859,946</u>	<u>3,538,288</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	65,710	65,710
Buildings and restoration costs	7,668,645	7,453,534
Equipment and software	395,297	283,485
Motor vehicles	111,579	100,519
Construction-in-progress	<u>186,464</u>	<u>199,975</u>
Total cost	8,427,695	8,103,223
Less: accumulated depreciation	<u>(3,678,014)</u>	<u>(3,461,159)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>4,749,681</u>	<u>4,642,064</u>
<b>OTHER ASSETS</b>		
Cash - board-designated operating reserve (see Notes 3 and 7)	1,321,460	1,321,309
Cash - board-designated endowment funds (see Note 3)	54,431	12,045
Cash - restricted, net of current portion (see Note 3)	242,555	63,069
Pledges receivable, net of current portion (see Note 4)	1,384,814	2,537,143
Investments (see Note 5)	6,206,785	4,950,661
Archives	546,355	537,355
Library collection	<u>647,169</u>	<u>643,447</u>
<b>TOTAL OTHER ASSETS</b>	<u>10,403,569</u>	<u>10,065,029</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 19,013,196</u></u>	<u><u>\$ 18,245,381</u></u>

See accompanying notes and auditors' report.



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

**LIABILITIES AND NET ASSETS**

	March 31,	
	2022	2021
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (see Note 6)	\$ -	\$ 12,266
Accounts payable	70,881	71,299
Accrued expenses	58,365	17,933
Sales tax payable	31	1
Deferred income	245,600	203,621
	<u>374,877</u>	<u>305,120</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>374,877</u>	<u>305,120</u>
<b>LONG-TERM DEBT, net of current portion (See Note 6)</b>	<u>-</u>	<u>224,554</u>
<b>TOTAL LIABILITIES</b>	<u>374,877</u>	<u>529,674</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	2,338,969	1,648,803
Board-designated operating reserve fund (see Note 7)	1,321,460	1,321,309
Board-designated endowment fund (see Note 8)	1,160,616	876,464
Net investment in property and equipment	4,749,681	4,642,064
Net investment in archives and library collection	1,193,524	1,180,802
	<u>10,764,250</u>	<u>9,669,442</u>
Total without donor restrictions	10,764,250	9,669,442
With donor restrictions (see Note 8)	<u>7,874,069</u>	<u>8,046,265</u>
<b>TOTAL NET ASSETS</b>	<u>18,638,319</u>	<u>17,715,707</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,013,196</u>	<u>\$ 18,245,381</u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>REVENUE AND SUPPORT</b>				
Contributions, grants and fundraising	\$ 2,088,206	\$ 279,825	\$ 2,368,031	\$ 2,565,499
Tours of The Mount (see Note 13)	709,840		709,840	272,232
Sales income (see Note 13)	441,293		441,293	145,334
Rental income (see Note 13)	189,597		189,597	18,244
Memberships	94,212		94,212	72,890
Program revenue (see Note 13)	89,005		89,005	14,370
Other income	4,012		4,012	100
Net assets released from restrictions:				
Satisfaction of program and time restrictions	501,547	(501,547)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>4,117,712</u>	<u>(221,722)</u>	<u>3,895,990</u>	<u>3,088,669</u>
<b>EXPENSES</b>				
Program	2,745,567		2,745,567	2,153,920
Management & general	190,974		190,974	139,258
Fundraising	331,863		331,863	271,555
<b>TOTAL EXPENSES</b>	<u>3,268,404</u>	<u>-</u>	<u>3,268,404</u>	<u>2,564,733</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME</b>	849,308	(221,722)	627,586	523,936
<b>OTHER INCOME</b>				
Gain on extinguishment of debt	238,340		238,340	247,277
Investment income, net	7,160	49,526	56,686	625,974
<b>TOTAL OTHER INCOME</b>	<u>245,500</u>	<u>49,526</u>	<u>295,026</u>	<u>873,251</u>
<b>CHANGE IN NET ASSETS</b>	1,094,808	(172,196)	922,612	1,397,187
<b>NET ASSETS - BEGINNING</b>	<u>9,669,442</u>	<u>8,046,265</u>	<u>17,715,707</u>	<u>16,318,520</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 10,764,250</u>	<u>\$ 7,874,069</u>	<u>\$ 18,638,319</u>	<u>\$ 17,715,707</u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions, grants and fundraising	\$ 2,061,185	\$ 504,314	\$ 2,565,499
Tours of The Mount (see Note 13)	272,232		272,232
Sales income (see Note 13)	145,334		145,334
Rental income (see Note 13)	18,244		18,244
Memberships	72,890		72,890
Program revenue (see Note 13)	14,370		14,370
Other income	100		100
Net assets released from restrictions:			
Satisfaction of program and time restrictions	540,037	(540,037)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,124,392</u>	<u>(35,723)</u>	<u>3,088,669</u>
<b>EXPENSES</b>			
Program	2,153,920		2,153,920
Management & general	139,258		139,258
Fundraising	271,555		271,555
<b>TOTAL EXPENSES</b>	<u>2,564,733</u>	<u>-</u>	<u>2,564,733</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME</b>	<u>559,659</u>	<u>(35,723)</u>	<u>523,936</u>
<b>OTHER INCOME</b>			
Gain on extinguishment of debt	247,277		247,277
Investment income, net	257,995	367,979	625,974
<b>TOTAL OTHER INCOME</b>	<u>505,272</u>	<u>367,979</u>	<u>873,251</u>
<b>CHANGE IN NET ASSETS</b>	1,064,931	332,256	1,397,187
<b>NET ASSETS - BEGINNING</b>	<u>8,604,511</u>	<u>7,714,009</u>	<u>16,318,520</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 9,669,442</u></u>	<u><u>\$ 8,046,265</u></u>	<u><u>\$ 17,715,707</u></u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2021)**

	Program	Management & General	Fundraising	2022 Total	2021 Total
Salaries and wages (see Note 13)	\$ 1,038,426	\$ 117,181	\$ 171,423	\$ 1,327,030	\$ 1,070,077
Repairs and maintenance	373,755	1,573		375,328	281,101
Depreciation	224,640			224,640	195,995
Employee benefits and taxes	168,667	25,792	27,663	222,122	195,501
Consulting	180,204	12,000	7,118	199,322	277,683
Cost of goods sold	196,685			196,685	69,154
Supplies and postage	81,937	486	18,777	101,200	54,998
Advertising and marketing	78,780		9,290	88,070	71,363
Utilities and telephone	81,987		213	82,200	59,534
Insurance	70,515	4,659		75,174	68,883
Development costs	18,300		54,626	72,926	64,398
Travel and lodging	48,662	18	4,494	53,174	777
Rental expenses	40,932		10,047	50,979	19,781
Information technology	37,270	1,099	6,208	44,577	35,796
Bank and merchant fees	42,832	965		43,797	20,918
Professional fees	10,729	23,935		34,664	27,632
Visitor services expenses	25,542		3,500	29,042	27,100
Food and beverage	3,628	36	18,043	21,707	4,344
Miscellaneous	16,059	1,139	461	17,659	6,614
Permits, licenses and taxes	5,318	571		5,889	1,954
Interest		1,520		1,520	2,077
Curatorial and exhibition costs	699			699	5,303
Bad debts				-	3,750
<b>TOTAL EXPENSES</b>	<u><u>\$ 2,745,567</u></u>	<u><u>\$ 190,974</u></u>	<u><u>\$ 331,863</u></u>	<u><u>\$ 3,268,404</u></u>	<u><u>\$ 2,564,733</u></u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2021**

	Program	Management & General	Fundraising	Total
Salaries and wages (see Note 13)	\$ 823,602	\$ 79,468	\$ 167,007	\$ 1,070,077
Repairs and maintenance	281,101			281,101
Depreciation	195,995			195,995
Employee benefits and taxes	156,225	12,328	26,948	195,501
Consulting	260,394	16,824	465	277,683
Cost of goods sold	69,154			69,154
Supplies and postage	42,812	1,155	11,031	54,998
Advertising and marketing	70,943		420	71,363
Utilities and telephone	59,349		185	59,534
Insurance	64,612	4,271		68,883
Development costs	18,600		45,798	64,398
Travel and lodging	290		487	777
Rental expenses	19,781			19,781
Information technology	30,593		5,203	35,796
Bank and merchant fees	20,855		63	20,918
Professional fees	5,707	21,925		27,632
Visitor services expenses	21,100		6,000	27,100
Food and beverage	401		3,943	4,344
Miscellaneous	6,193	166	255	6,614
Permits, licenses and taxes	910	1,044		1,954
Interest		2,077		2,077
Curatorial and exhibition costs	5,303			5,303
Bad debts			3,750	3,750
<b>TOTAL EXPENSES</b>	<u>\$ 2,153,920</u>	<u>\$ 139,258</u>	<u>\$ 271,555</u>	<u>\$ 2,564,733</u>

See accompanying notes and auditors' report.

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

	<b>Years Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 922,612	\$ 1,397,187
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Non-cash donations of marketable securities	(1,274,090)	(1,790,716)
Forgiveness of long-term debt	(238,340)	(247,277)
Interest on Payroll Protection Program loans	1,520	2,077
Depreciation	224,640	195,995
Bad debts	-	3,750
Realized (gains) losses on sale of marketable securities	21,900	(3,915)
Unrealized (gains) losses on marketable securities	23,275	(582,315)
(Increase) decrease in:		
Accounts receivable	(477,279)	-
Other receivable	-	2,440
Pledges receivable	1,282,429	1,076,481
Accrued interest receivable	-	1,205
Inventory - gift shop	3,413	2,748
Prepaid expenses	(10,027)	16,918
Increase (decrease) in:		
Accounts payable	(3,999)	(15,950)
Accrued expenses	40,432	(32,942)
Sales tax payable	30	(3)
Deferred income	41,979	96,605
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>558,495</u>	<u>122,288</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(3,145,626)	(3,386,292)
Proceeds from sale of marketable securities	3,118,417	2,085,363
Purchases for the archives	(9,000)	-
Purchases for the library collection	(3,722)	(587)
Purchases of property and equipment	<u>(328,676)</u>	<u>(275,703)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(368,607)</u>	<u>(1,577,219)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	<u>-</u>	<u>482,020</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>482,020</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED</b>	189,888	(972,911)
<b>CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED - BEGINNING</b>	<u>3,679,136</u>	<u>4,652,047</u>
<b>CASH AND CASH EQUIVALENTS, CASH - BOARD-DESIGNATED, AND CASH - RESTRICTED - ENDING</b>	<u><u>\$ 3,869,024</u></u>	<u><u>\$ 3,679,136</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes and auditors' report.

**EDITH WHARTON RESTORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2022 AND 2021**

**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 70,000 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 in accordance with accounting principles generally accepted in the United States of America, (US GAAP).

*Basis of Presentation*

US GAAP requires 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, 2022 AND 2021**

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, 2022 and 2021.

*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, 2022 or 2021.

*Contributed Services*

During the years ended March 31, 2022 and 2021, 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, 2022 AND 2021**

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 5) 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, 2022 AND 2021**

**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, 2022 or 2021.

*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, 2022 and 2021 amounted to \$88,070 and \$71,363, 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 - 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.

**EDITH WHARTON RESTORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

**Note 2 - continued**

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:

	2022	2021
Cash and cash equivalents	\$ 2,161,278	\$ 2,109,802
Cash - board-designated operating reserve	1,321,460	1,321,309
Accounts receivable	477,279	-
Pledges receivable, current	<u>5,500</u>	<u>130,500</u>
Total	<u>\$ 3,965,517</u>	<u>\$ 3,561,611</u>

**Note 3 - 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:

	2022	2021
Cash and cash equivalents	\$ 2,161,278	\$ 2,109,802
Cash - restricted, current	89,300	172,911
Cash - board-designated operating reserve	1,321,460	1,321,309
Cash - board designated endowment funds	54,431	12,045
Cash - restricted, net of current portion	<u>242,555</u>	<u>63,069</u>
Total cash and cash equivalents per the Statement of Cash Flows	<u>\$ 3,869,024</u>	<u>\$ 3,679,136</u>

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

**Note 4 - 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:

	2022	2021
Receivable in less than one year	\$1,056,800	\$1,186,900
Receivable in one to five years	<u>1,452,772</u>	<u>2,715,214</u>
Total pledges receivable	2,509,572	3,902,114
Less: discounts to present value	<u>(67,958)</u>	<u>(178,071)</u>
Net	2,441,614	3,724,043
Current portion	<u>1,056,800</u>	<u>1,186,900</u>
Long-term portion	<u>\$1,384,814</u>	<u>\$2,537,143</u>

**Note 5 - Investments**

Investments consisted of both donor-restricted and board-designated endowment funds. Investments are recorded in the financial statements at fair value. Cost and fair value information as of March 31, 2022 and 2021 is as follows:

**EDITH WHARTON RESTORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

Note 5 - continued

<b>March 31, 2022</b>	<b>Cost</b>	<b>Fair Value (Level 1)</b>	<b>Unrealized Gain(Loss)</b>
Fixed income funds	\$ 2,395,824	\$ 2,287,747	\$ (108,077)
Equity mutual funds	<u>3,468,146</u>	<u>3,919,038</u>	<u>450,892</u>
Total	<u>\$ 5,863,970</u>	<u>\$ 6,206,785</u>	<u>\$ 342,815</u>
<b>March 31, 2021</b>			
Fixed income funds	\$ 2,593,313	\$ 2,583,116	\$ (10,197)
Equity mutual funds	<u>1,991,258</u>	<u>2,367,545</u>	<u>376,287</u>
Total	<u>\$ 4,584,571</u>	<u>\$ 4,950,661</u>	<u>\$ 366,090</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:

	<b>2022</b>	<b>2021</b>
Interest and dividends	\$ 134,516	\$ 62,028
Realized gains (losses)	(21,900)	3,915
Unrealized gains (losses)	(23,275)	582,315
Fees	<u>(32,655)</u>	<u>(22,284)</u>
Investment income (loss), net	<u>\$ 56,686</u>	<u>\$ 625,974</u>

**Note 6 - Long-Term Debt – Notes Payable**

The Organization was obligated under the following note payable at March 31:

	<b>2022</b>	<b>2021</b>
A term loan with Greylock Federal Credit Union, which bore interest at 1%. The loan was obtained under the terms of the second round of the Payroll Protection Program and was unsecured. The Organization was able to 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 required 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. The entire loan along with accrued interest of \$1,520 was forgiven in October 2021 and is presented as gain on extinguishment in the statement of activities for the year ended March 31, 2022.	\$ -	\$ 236,820
Less: Current portion	<u>-</u>	<u>12,266</u>
Net long-term portion	<u>\$ -</u>	<u>\$ 224,554</u>

Total interest expense incurred on all debt was \$1,520 and \$2,077 for the years ended March 31, 2022 and 2021, respectively.

**EDITH WHARTON RESTORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

**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, 2022 and 2021, there was \$1,321,460 and \$1,321,309, respectively, of net assets designated toward this fund.

**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 funds. 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.

**EDITH WHARTON RESTORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2022 AND 2021**

Note 8 - continued

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"). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no funds with deficiencies at March 31, 2022 or 2021.

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

	2022	2021
Endowment funds with donor restrictions	\$ 7,288,017	\$ 7,015,709
Board-designated endowment funds without donor restrictions	<u>1,160,616</u>	<u>876,464</u>
Total	<u>\$ 8,448,633</u>	<u>\$ 7,892,173</u>

Changes in endowment net assets for the year ended March 31, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	<u>\$ 876,464</u>	<u>\$ 7,015,709</u>	<u>\$ 7,892,173</u>
Contributions	<u>279,462</u>	<u>222,781</u>	<u>502,243</u>
Investment return:			
Interest and dividends	23,992	108,223	132,215
Realized gains (losses)	(4,115)	(17,953)	(22,068)
Unrealized gains (losses)	(9,425)	(13,850)	(23,275)
Fees	<u>(5,762)</u>	<u>(26,893)</u>	<u>(32,655)</u>
Total investment return	<u>4,690</u>	<u>49,527</u>	<u>54,217</u>
End of year	<u>\$ 1,160,616</u>	<u>\$ 7,288,017</u>	<u>\$ 8,448,633</u>

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

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>

**EDITH WHARTON RESTORATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2022 AND 2021**

Note 8 - continued

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

	2022	2021
Donor-restricted endowment funds	\$ 7,288,017	\$ 7,015,709
Time-restricted pledges	496,752	857,645
Purpose-restricted gifts	<u>89,300</u>	<u>172,911</u>
Total	<u>\$ 7,874,069</u>	<u>\$ 8,046,265</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, 2022 and 2021, the Organization contributed \$28,334 and \$25,029, 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, 2022 and 2021, the Organization had \$194,113 and \$50,791, 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 \$250,107 and \$191,816 in uninsured deposits with this credit union at March 31, 2022 and 2021, respectively.

Note 11 - **Related Party Transactions**

Total contributions from all board trustees amounted to \$480,170 and \$973,265 for the years ended March 31, 2022 and 2021, respectively. There was \$2,436,186 and \$3,597,543 in outstanding pledges from board trustees at March 31, 2022 and 2021, respectively.

During the years ended March 31, 2022 and 2021, 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, 2022 and 2021, the Organization's funds invested with this company constituted less than 1% of the company's total funds under management. Total investment fees paid to this company were \$32,655 and \$22,284 for the years ended March 31, 2022 and 2021, 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 \$870 and \$1,470 for the years ended March 31, 2022 and 2021, respectively. There were no amounts payable to this individual at March 31, 2022 or 2021.



**EDITH WHARTON RESTORATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

**Note 12 - Board of Trustees**

During the year ended March 31, 2022, the Organization added one trustee while four others retired leaving 21 trustees at March 31, 2022. During the year ended March 31, 2021, the Organization increased its number of trustees by two bringing the total number of trustees to twenty-four at March 31, 2021.

**Note 13 - 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 (see Note 14).

As a result of COVID-19, there has been heightened market risk and volatility associated with the pandemic, and this could materially affect the Organization's investment account balance and the amounts reported in the statement of financial position and the statement of activities, mentioned above.

Depending on the duration of the COVID-19 crisis, the impact on the Organization's activities for the remainder of 2022 and thereafter cannot be predicted.

**Note 14 - Government Grants**

In addition to the forgiveness described in Note 6, 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.

During the year ended March 31, 2022, the Organization also became eligible for the Employee Retention Credit (ERC) under the CARES Act in the amount of \$422,881 which represent refunds due on the 2020 and 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund. This amount is included in accounts receivable and contributions, grants and fundraising in the Statement of Activities for the year ended March 31, 2022. The Organization has received \$174,286 of the total amount due subsequent to March 31, 2022.

In addition, during the year ended March 31, 2022, the Organization was notified that it was the recipient of a Shuttered Venue Operating Grant (SVOG) in the amount of \$209,294. The SBA also administers this program under which the Organization was allowed to apply the grant against eligible costs, as defined in the grant agreement, for the period from June 30, 2021 through October 7, 2022. Total revenue recognized under this grant was \$209,294 and is included in contributions, grants and fundraising in the Statement of Activities for the year ended March 31, 2022.

**Note 15 - Subsequent Events**

Management has evaluated subsequent events through July 26, 2022, 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, 2022**

DESCRIPTION	Balance March 31, 2021	Cash Expenditures	Accounts Payable	Sub-total	Placed in Service	Balance March 31, 2022
Facilities building	\$ 5,488	\$	\$	\$ 5,488	\$	\$ 5,488
Drawing room rug	5,000			5,000		5,000
Gatehouse	14,281	53,689	31,825	99,795		99,795
Forecourt	112,296	300		112,596	112,596	-
Audio system	25,816	5,900		31,716	31,716	-
Window restoration	37,094	3,846		40,940	40,940	-
Farmhouse		44,598	5,120	49,718		49,718
Awning		5,000		5,000		5,000
Carpet	-	21,463		21,463		21,463
<b>TOTAL</b>	<b>\$ 199,975</b>	<b>\$ 134,796</b>	<b>\$ 36,945</b>	<b>\$ 371,716</b>	<b>\$ 185,252</b>	<b>\$ 186,464</b>

See auditors' report.