THE WELL

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

AND

INDEPENDENT AUDITOR'S REPORT

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Rust & Company CPAs
certified public accountants | business advisors

To the Board of Directors of
The Well

We have audited the accompanying financial statements of The Well (a New Hampshire non-profit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 The Well as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited The Well's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rust + Company CPAs

Swanzey, NH
June 17, 2020

THE WELL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash, operating	$ 502,657	$ 536,701
Cash, certificate of deposit	155,027	153,726
Accounts receivable-parents (net of allowance for doubtful accounts)	76,795	53,969
Pledges receivable	-	100
Prepaid expenses	11,700	17,386
Other asset	6,000	6,000
Total current assets	752,179	767,882
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	1,609,207	1,581,447
LOAN FEES, net of accumulated amortization	9,698	10,210
TOTAL ASSETS	$ 2,371,084	$ 2,359,539
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 9,527	$ 3,301
Accrued payroll and payroll taxes	30,104	27,725
Deferred tuition revenue	162,421	132,573
Current portion of long-term debt	31,366	29,907
Total current liabilities	233,418	193,506
LONG-TERM DEBT, less current portion shown above	938,731	970,093
TOTAL LIABILITIES	1,172,149	1,163,599
NET ASSETS		
Without donor restrictions		
Operating	1,151,915	1,153,882
Board designated for capital improvements	40,000	40,000
Total without donor restrictions	1,191,915	1,193,882
With donor restrictions	7,020	2,058
TOTAL NET ASSETS	1,198,935	1,195,940
TOTAL LIABILITIES AND NET ASSETS	$ 2,371,084	$ 2,359,539

See notes to financial statements and independent auditor's report.

THE WELL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
SUPPORT AND REVENUE				
Support				
Tuition and fees	$ 1,827,187	$ -	$ 1,827,187	$ 1,924,818
Less internally financed				
Tuition remission	484,226	-	484,226	546,603
Scholarships	80,185	-	80,185	74,020
Affiliate marketing	5,100	-	5,100	10,200
Total tuition and fees	1,257,676	-	1,257,676	1,293,995
Revenue				
Annual giving	49,781	18,201	67,982	24,625
Other contributions	305	-	305	417
Room and board income	4,000	-	4,000	8,000
School activities	12,066	-	12,066	21,419
Summer camp	50,934	-	50,934	50,330
Interest and dividends	1,656	-	1,656	1,094
Gain on sale of assets	1,700	-	1,700	-
Miscellaneous	1,148	-	1,148	200
Total revenue	121,590	18,201	139,791	106,085
NET ASSETS RELEASED FROM RESTRICTIONS	13,239	(13,239)	-	-
TOTAL SUPPORT AND REVENUE	1,392,505	4,962	1,397,467	1,400,080
EXPENSES				
Program services	902,116	-	902,116	855,007
General and administrative expenses	481,108	-	481,108	470,270
Fundraising expenses	11,248	-	11,248	8,440
Total expenses	1,394,472	-	1,394,472	1,333,717
CHANGE IN NET ASSETS	(1,967)	4,962	2,995	66,363
NET ASSETS, beginning of year	1,193,882	2,058	1,195,940	1,129,577
NET ASSETS, end of year	$ 1,191,915	$ 7,020	$ 1,198,935	$ 1,195,940

See notes to financial statements and independent auditor's report.

THE WELL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019				2018
	Program Services	General and Administrative Expenses	Fundraising Expenses	Total	Total
EXPENSES					
Salaries and wages	$ 608,157	$ 171,531	$ -	$ 779,688	$ 688,919
Payroll taxes	49,424	13,940	-	63,364	56,770
Employee benefits	40,625	11,459	-	52,084	68,049
Bad debt	23,562	-	-	23,562	1,219
Bank and credit card fees	170	2,259	-	2,429	11,915
Cafeteria expense	68,280	690	-	68,970	73,152
Classroom expense	37,823	11,447	498	49,768	37,929
Closing costs	-	-	-	-	4,659
Depreciation and amortization	-	50,095	-	50,095	58,484
Development and publicity	10,493	10,493	-	20,986	20,558
Dues and fees	-	3,007	-	3,007	755
Fundraising expense	-	-	10,111	10,111	1,349
Insurance	-	37,000	-	37,000	35,705
Interest	-	48,997	-	48,997	43,534
Office expense	2,315	4,701	-	7,016	7,778
Professional development	-	-	-	-	11,753
Professional fees	-	30,041	-	30,041	20,064
Rent	-	5,674	-	5,674	6,000
Repairs and maintenance	12,674	38,024	-	50,698	65,702
Room and board expense	4,000	-	-	4,000	8,000
School activities expense	31,323	-	639	31,962	55,507
Summer camp expense	9,765	2,441	-	12,206	16,710
Telephone	-	4,483	-	4,483	2,564
Utilities	-	28,506	-	28,506	22,858
Vehicle expense	3,344	5,944	-	9,288	8,417
Miscellaneous	161	376	-	537	5,367
Total expenses	$ 902,116	$ 481,108	$ 11,248	$ 1,394,472	$ 1,333,717

See notes to financial statements and independent auditor's report.

THE WELL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,995	$ 66,363
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	50,095	58,484
Gain on disposal of assets	(1,700)	-
Change in operating accounts:		
Accounts receivable-parents	(22,826)	(2,491)
Pledges receivable	100	100
Prepaid expenses	5,686	398
Accounts payable	6,226	(3,667)
Accrued payroll and payroll taxes	2,379	10,850
Deferred tuition revenue	29,848	1,052
Net cash provided by operating activities	72,803	131,089
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets	1,700	4,659
Purchase of property and equipment	(77,343)	(15,120)
Payment for debt issue costs	-	(10,253)
Net cash used for investing activities	(75,643)	(20,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(29,903)	(998,924)
Proceeds from mortgage	-	1,000,000
Net cash provided by (used for) financing activities	(29,903)	1,076
NET INCREASE IN CASH	(32,743)	111,451
CASH, beginning of year	690,427	578,976
CASH, end of year	$ 657,684	$ 690,427
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	$ 48,997	$ 43,534

See notes to financial statements and independent auditor's report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Well (the Organization) is a New Hampshire not-for-profit, tax-exempt organization formed for the purpose of providing educational services from pre-school to 8th grade. The Organization grants credit to families, substantially all of whom are local residents. The School's primary source of revenue is tuition fees.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and are prepared under the guidance of the Financial Accounting Standards Board *Accounting Standards Codification ("FASB ASC").*

FASB ASC 958-605 requires the Organization to distinguish between contributions that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of contributed services that meet certain criteria at fair values. Additionally, under the guidance of FASB ASC 958-905, unconditional promises to give that are expected to be paid in less than one year are measured at net realizable value (settlement value). Conditional promises to give, which depend on the occurrence of a specific future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a Statement of Financial Position, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows.

The Organization reports information regarding its financial position and activities according to two classes of net assets, based upon the absence or existence of donor-imposed restrictions on use: net assets without donor restrictions and net assets with donor restrictions:

Net assets without donor restrictions - not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired.

Net assets with donor restrictions - subject to donor-imposed stipulations that may be fulfilled by actions of the Organization or become unrestricted by the passage of time, or must be retained and invested permanently by the Organization.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts and a credit to accounts receivable. The Organization's allowance for doubtful accounts was $5,000 and $0 for the years ended June 30, 2019 and 2018, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all petty cash and funds on deposit at financial institutions. These balances are insured by the Federal Deposit Insurance Corporation. The Organization's cash and cash equivalents were $657,684 and $690,427 for the years ended June 30, 2019 and 2018, respectively.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization to fulfill its charitable mission. The Organization receives more than 1,500 volunteer hours per year.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Property and Equipment

Expenditures for acquisition, renewal and betterments in excess of $2,500 are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is recognized.

The Organization charges to expenses annual amounts of depreciation using the straight-line method of depreciation, which allocates the costs over the following estimated useful lives:

	Years
Building and building improvements	39
Land improvements	15
Equipment and fixtures	7
Vehicles	5

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Revenue Recognition

Revenue is recognized when earned. Tuition and fees received in advance applicable to the next school year are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. If restrictions expire in the same period the revenues are recorded they are reported as a simultaneous increase in net assets with donor restrictions and decrease in net assets with donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions, unless a donor restricts their use. Expenses are reported as decreases in net assets without donor restrictions.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis on the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are directly allocated to personnel and occupancy, while all other expenses are allocated on the basis of percentage estimates of time and effort.

2. CONCENTRATION OF RISK

The Organization maintains cash balances in multiple accounts at local banks. These accounts are insured by the Federal Deposit Insurance Corporation and the National Credit Union Administration up to $250,000. At June 30, 2019 and 2018, the Organization had uninsured cash balances of $132,240 and $249,069, respectively. Management believes there is minimal risk of loss from uninsured balances.

3. CERTIFICATES OF DEPOSIT

As of June 30, 2019 and 2018 a certificate of deposit totaling $155,027 and $153,726, respectively, is included in cash in the accompanying financial statements. The certificate bears interest at 0.85% and has a maturity date of August 7, 2019.

4. PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises of donor contributions for the capital campaign at June 30, 2019 and 2018. The allowance for uncollectible pledges was $0 at June 30, 2019 and 2018. Pledge payments over the year were as follows:

	2019	2018
Pledge Payments	$ -	$ 100

5. OTHER ASSET

The Organization received a piece of jewelry as payment of tuition and is holding it until the family can redeem it for cash.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2019	2018
Buildings and improvements	$ 1,568,428	$ 1,548,280
Equipment and fixtures	502,251	506,420
Land	334,704	334,704
Vehicles	65,863	15,000
	2,471,246	2,404,404
Less: accumulated depreciation	862,039	822,957
	$ 1,609,207	$ 1,581,447

Depreciation expense was $49,583 and $56,111 for the years ended June 30, 2019 and 2018, respectively.

7. LOAN FEES

The Organization is amortizing loan fees over the life of the mortgage. Total cost of loan fees were $10,253 at June 30, 2019 and 2018. Accumulated amortization was $555 and $43 at June 30, 2019 and 2018, respectively.

Total amortization expense for the years ended June 30, 2019 and 2018 was $512 and $2,373 respectively.

8. LONG-TERM DEBT

The following are the details of long-term debt as of June 30:

	2019	2018
Mortgage note payable to Savings Bank of Walpole, secured by certain real estate, payable monthly at $6,594, including interest at 4.99%, through June 2023, when the monthly payment becomes $7,042, including interest at 6% through payoff in June 2038.	$ 970,097	$ 1,000,000
Less current portion	31,366	29,907
	$ 938,731	$ 970,093

Maturities of long-term debt are as follows:

2020	31,366
2021	33,103
2022	34,726
2023	36,499
2024	35,344
Thereafter	799,059
	$ 970,097

9. DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

The governing board of the Organization has designated net assets without donor restrictions for the following purposes as of June 30:

	2019	2018
Board designated capital improvements	$ 40,000	$ 40,000

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30:

	2019	2018
Art room sink and installation	$ -	$ 2,058
Playground	5,511	-
Math books	1,509	-
	$ 7,020	$ 2,058

11. INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize that tax benefit from an uncertain 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. There were no unrecognized tax benefits identified or recorded as liabilities for years 2019 or 2018. The Organization files its form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Services for years before 2016.

12. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements for Not-for-Profit Entities.* The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investments return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. As required by ASU 2016-14, the Organization is required to reclassify amounts that were previously reported as temporarily restricted net assets for donor-restricted property and equipment with implied time restrictions that expired over the useful life of the asset. Those amounts are now classified as net assets without donor restrictions as the related assets have been placed in service. The unrestricted net asset class has been renamed net assets without donor restrictions. There was no effect on the Organization's previously reported net assets as a result of implementation of ASU 2016-14.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts that are not available for general use within one year of the Statement of Financial Position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include board designated amounts that could be utilized if the Board of Trustees approved the use. The Board of Trustees has designated funds without restrictions for capital improvements.

	2019	2018
Financial assets, at year end	$ 739,479	$ 744,396
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(7,020)	(2,058)
Board designations		
Amounts set aside for capital improvements	(40,000)	(40,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 692,459	$ 702,338

See independent auditor's report.

14. RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's financial statements presentation.

15. CORRECTION OF AN ERROR

During the year ended June 30, 2019, it was determined that the depreciation expense was inadvertently miscalculated in previous years. As a result, the accompanying financial statements for the year ended June 30, 2018 have been restated to adjust the balances of net assets at June 30, 2019. The effect of the restatement increased the year ended June 30, 2018 depreciation and amortization expense by $1,285. The restatement decreased beginning net assets by $5,328 for the year ended June 30, 2018.

16. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 17, 2020, which is the date the financial statements were available to be issued. Subsequent events occurring after June 30, 2019 include obtaining a Paycheck Protection Program Loan of $189,500.