

THE WELL
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited The Well's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rust & Company CPAs

Swanzey, NH
January 7, 2021

THE WELL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash, operating	\$ 551,094	\$ 502,657
Certificate of deposit with maturity of less than 1 year	156,356	155,027
Accounts receivable-parents (net of allowance for doubtful accounts)	42,030	76,795
Prepaid expenses	9,427	11,700
Other asset	6,000	6,000
Total current assets	<u>764,907</u>	<u>752,179</u>
PROPERTY AND EQUIPMENT , at cost, net of accumulated depreciation	1,590,939	1,609,207
LOAN FEES , net of accumulated amortization	<u>9,185</u>	<u>9,698</u>
TOTAL ASSETS	<u>\$ 2,365,031</u>	<u>\$ 2,371,084</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,390	\$ 9,527
Accrued payroll and payroll taxes	34,443	30,104
Deferred tuition revenue	73,512	162,421
Paycheck protection program loan	189,500	-
Current portion of long-term debt	33,103	31,366
Total current liabilities	<u>335,948</u>	<u>233,418</u>
LONG-TERM DEBT , less current portion shown above	<u>905,639</u>	<u>938,731</u>
TOTAL LIABILITIES	<u>1,241,587</u>	<u>1,172,149</u>
NET ASSETS		
Without donor restrictions		
Operating	1,083,444	1,151,915
Board designated for capital improvements	40,000	40,000
Total without donor restrictions	<u>1,123,444</u>	<u>1,191,915</u>
With donor restrictions	-	7,020
TOTAL NET ASSETS	<u>1,123,444</u>	<u>1,198,935</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,365,031</u>	<u>\$ 2,371,084</u>

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Revenue				
Tuition and fees	\$ 1,781,697	\$ -	\$ 1,781,697	\$ 1,827,187
Less internally financed				
Tuition remission	420,606	-	420,606	484,226
Scholarships	70,400	-	70,400	80,185
Affiliate marketing	600	-	600	5,100
Total tuition and fees	<u>1,290,091</u>	<u>-</u>	<u>1,290,091</u>	<u>1,257,676</u>
Room and board income	4,000	-	4,000	4,000
School activities	4,161	-	4,161	12,066
Summer camp	71,176	-	71,176	50,934
Total revenue from operations	<u>1,369,428</u>	<u>-</u>	<u>1,369,428</u>	<u>1,324,676</u>
Support				
Annual giving	39,140	5,000	44,140	67,982
Grant income	10,000	-	10,000	-
Other contributions	262	-	262	305
Interest and dividends	1,779	-	1,779	1,656
Loss (gain) on sale of assets	(117)	-	(117)	1,700
Miscellaneous	15,683	-	15,683	1,148
Total support	<u>66,747</u>	<u>5,000</u>	<u>71,747</u>	<u>72,791</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>12,020</u>	<u>(12,020)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE				
	<u>1,448,195</u>	<u>(7,020)</u>	<u>1,441,175</u>	<u>1,397,467</u>
EXPENSES				
Program services	1,035,133	-	1,035,133	902,116
General and administrative expenses	480,637	-	480,637	481,108
Fundraising expenses	896	-	896	11,248
Total expenses	<u>1,516,666</u>	<u>-</u>	<u>1,516,666</u>	<u>1,394,472</u>
CHANGE IN NET ASSETS				
	(68,471)	(7,020)	(75,491)	2,995
NET ASSETS, beginning of year				
	<u>1,191,915</u>	<u>7,020</u>	<u>1,198,935</u>	<u>1,195,940</u>
NET ASSETS, end of year				
	<u>\$ 1,123,444</u>	<u>\$ -</u>	<u>\$ 1,123,444</u>	<u>\$ 1,198,935</u>

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

THE WELL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>			<u>2019</u>	
	<u>Program Services</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>	<u>Total</u>
EXPENSES					
Salaries and wages	\$ 774,073	\$ 181,573	\$ -	\$ 955,646	\$ 779,688
Payroll taxes	61,094	14,331	-	75,425	63,364
Employee benefits	31,947	7,494	-	39,441	52,084
Bad debt	4,000	-	-	4,000	23,562
Bank and credit card fees	-	4,042	-	4,042	2,429
Cafeteria expense	49,259	1,005	-	50,264	68,970
Classroom expense	41,231	9,672	-	50,903	49,768
Depreciation and amortization	-	60,394	-	60,394	50,095
Development and publicity	6,104	6,103	-	12,207	20,986
Dues and fees	144	2,735	-	2,879	3,007
Fundraising expense	-	57	896	953	10,111
Insurance	-	37,450	-	37,450	37,000
Interest	-	47,777	-	47,777	48,997
Office expense	2,660	5,400	-	8,060	7,016
Professional fees	-	27,200	-	27,200	30,041
Rent	-	3,000	-	3,000	5,674
Repairs and maintenance	12,953	38,861	-	51,814	50,698
Room and board expense	4,000	-	-	4,000	4,000
School activities expense	33,254	-	-	33,254	31,962
Summer camp expense	9,942	1,755	-	11,697	12,206
Telephone	-	3,805	-	3,805	4,483
Utilities	-	24,219	-	24,219	28,506
Vehicle expense	2,174	3,260	-	5,434	9,288
Miscellaneous	2,298	504	-	2,802	537
Total expenses	<u>\$ 1,035,133</u>	<u>\$ 480,637</u>	<u>\$ 896</u>	<u>\$ 1,516,666</u>	<u>\$ 1,394,472</u>

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

THE WELL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (75,491)	\$ 2,995
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation and amortization	60,394	50,095
Loss (gain) on disposal of assets	117	(1,700)
Change in operating accounts:		
Accounts receivable-parents	34,765	(22,826)
Pledges receivable	-	100
Prepaid expenses	2,273	5,686
Accounts payable	(4,137)	6,226
Accrued payroll and payroll taxes	4,339	2,379
Deferred tuition revenue	(88,909)	29,848
Net cash (used for) provided by operating activities	<u>(66,649)</u>	<u>72,803</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets	750	1,700
Purchase of property and equipment	(42,480)	(77,343)
Short-term investments	(1,329)	(1,301)
Net cash used for investing activities	<u>(43,059)</u>	<u>(76,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(31,355)	(29,903)
Proceeds from Paycheck Protection Program Loan	189,500	-
Net cash provided by (used for) financing activities	<u>158,145</u>	<u>(29,903)</u>
NET INCREASE IN CASH	48,437	(34,044)
CASH, beginning of year	<u>502,657</u>	<u>536,701</u>
CASH, end of year	<u>\$ 551,094</u>	<u>\$ 502,657</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 47,777</u>	<u>\$ 48,997</u>

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

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$9,000 and \$5,000 for the years ended June 30, 2020 and 2019, respectively.

See independent auditor's report.

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$707,450 and \$657,684 for the years ended June 30, 2020 and 2019, 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:

	<u>Years</u>
Building and building improvements	39
Land improvements	15
Equipment and fixtures	7
Vehicles	5

See independent auditor's report.

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, the Organization had uninsured cash balances of \$92,154 and \$132,240, respectively. Management believes there is minimal risk of loss from uninsured balances.

See independent auditor's report.

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. CERTIFICATES OF DEPOSIT

As of June 30, 2020 and 2019 certificates of deposit totaling \$156,356 and \$155,027, respectively, were included in cash in the accompanying financial statements. The certificates bear interest at 0.85% and have maturity dates of August 7, 2020 and 2019, respectively.

4. OTHER ASSET

The Organization previously received a piece of jewelry as payment of tuition and is holding it.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2019
Buildings and improvements	\$ 1,605,345	\$ 1,568,428
Equipment and fixtures	503,815	502,251
Land	334,704	334,704
Vehicles	65,863	65,863
	2,509,727	2,471,246
Less: accumulated depreciation	918,788	862,039
	\$ 1,590,939	\$ 1,609,207

Depreciation expense was \$59,881 and \$49,583 for the years ended June 30, 2020 and 2019, respectively.

6. 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, 2020 and 2019. Accumulated amortization was \$1,068 and \$555 at June 30, 2020 and 2019, respectively.

Total amortization expense for the years ended June 30, 2020 and 2019 was \$513 and \$512, respectively.

See independent auditor's report.

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a Paycheck Protection Program Loan payable to Savings Bank of Walpole, unsecured, interest payable at 1.00% through payoff in April 2022. The borrower may apply for forgiveness of the loan, it is reasonable to expect the entire balance will be forgiven.

8. LONG-TERM DEBT

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

	2020	2019
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.	\$ 938,742	\$ 970,097
Less: current portion	33,103	31,366
	\$ 905,639	\$ 938,731

Maturities of long-term debt are as follows:

2021	33,103
2022	34,726
2023	36,499
2024	35,344
2025	37,642
Thereafter	761,428
	\$ 938,742

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:

	2020	2019
Board designated capital improvements	\$ 40,000	\$ 40,000

See independent auditor's report.

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Playground	\$ -	\$ 5,511
Math books	-	1,509
	<u>\$ -</u>	<u>\$ 7,020</u>

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 2020 or 2019. 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 2017.

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. Adopted for the year ending June 30, 2019, there was no effect on the Organization's previously reported net assets as a result of implementation of ASU 2016-14.

See independent auditor's report.

THE WELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. RECLASSIFICATIONS

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

14. 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.

	<u>2020</u>	<u>2019</u>
Financial assets, at year end		
Cash, operating	\$ 551,094	\$ 502,657
Certificate of deposit with maturity of less than 1 year	156,356	155,027
Accounts receivable-parents (net of allowance for doubtful accounts)	<u>42,030</u>	<u>76,795</u>
Total financial assets, at year end	749,480	734,479
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)
Board designations		
Amounts set aside for capital improvements	<u>(40,000)</u>	<u>(40,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 709,480</u>	<u>\$ 687,459</u>

15. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 7, 2021, which is the date the financial statements were available to be issued. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to have negative impact on the results of the operations of the Organization. The potential impact is unknown at this time.

Subsequent events occurring after June 30, 2020 include receiving Child Care Recovery and Stabilization Program (CCRSP) funds of \$31,800. The funds are round one of three potential rounds of funding provided by the New Hampshire Department of Health and Human Services. Each round of funding will vary based on the availability and need of funds determined by the state. A donation of \$25,000, partially restricted for employee Christmas bonuses, was also received in the subsequent period. The Organization also signed a loan agreement for an Economic Injury Disaster Loan (EIDL) for \$150,000 in the subsequent period.

See independent auditor's report.