THE WELL

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

AND

INDEPENDENT AUDITOR'S REPORT

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LCR LYNN C. RUST, CPA PC
A CERTIFIED PUBLIC ACCOUNTING FIRM

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 2017, 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** 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CPA

October 2, 2017
Swanzey, NH

THE WELL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash, operating	$ 425,998	$ 353,920
Cash, certificate of deposit	152,978	152,597
Accounts receivable-parents	51,478	54,745
Pledges receivable	200	-
Prepaid expenses	17,784	17,582
Other asset	6,000	6,000
Total current assets	654,438	584,844
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	1,627,766	1,662,242
LOAN FEES, net of accumulated amortization	6,989	9,530
TOTAL ASSETS	$ 2,289,193	$ 2,256,616
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 6,968	$ 8,418
Accrued payroll and payroll taxes	16,875	13,427
Deferred tuition revenue	131,521	121,951
Current portion of long-term debt	51,613	49,395
Total current liabilities	206,977	193,191
LONG-TERM DEBT, less current portion shown above	947,311	998,192
TOTAL LIABILITIES	1,154,288	1,191,383
NET ASSETS		
Unrestricted	1,134,905	1,065,233
Temporarily restricted	-	-
TOTAL NET ASSETS	1,134,905	1,065,233
TOTAL LIABILITIES AND NET ASSETS	$ 2,289,193	$ 2,256,616

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

THE WELL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Support					
Tuition and fees	$ 1,738,511	$ -	$ -	$ 1,738,511	$ 1,537,671
Less internally financed					
Tuition remission	515,535	-	-	515,535	457,910
Scholarships	70,290	-	-	70,290	55,967
Affiliate marketing	9,600	-	-	9,600	43,050
Total tuition and fees	1,143,086	-	-	1,143,086	980,744
Revenue					
Annual giving	33,970	1,236	-	35,206	37,046
Other contributions	381	-	-	381	324
Room and board income	4,000	-	-	4,000	-
School activities	18,755	-	-	18,755	14,609
Summer camp	36,203	-	-	36,203	21,028
Farmer's market	-	-	-	-	50
Interest and dividends	729	-	-	729	1,245
Miscellaneous	822	-	-	822	137
Total revenue	94,860	1,236	-	96,096	74,439
NET ASSETS RELEASED FROM RESTRICTIONS	1,236	(1,236)	-	-	-
TOTAL SUPPORT AND REVENUE	1,239,182	-	-	1,239,182	1,055,183
EXPENSES					
Program expenses	755,361	-	-	755,361	808,377
Management expenses	408,752	-	-	408,752	269,294
Fundraising expenses	5,397	-	-	5,397	2,272
Total expenses	1,169,510	-	-	1,169,510	1,079,943
CHANGE IN NET ASSETS	69,672	-	-	69,672	(24,760)
NET ASSETS, beginning of year	1,065,233	-	-	1,065,233	1,089,993
NET ASSETS, end of year	$ 1,134,905	$ -	$ -	$ 1,134,905	$ 1,065,233

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

THE WELL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017				2016
	Program Services	General and Administrative Expenses	Fundraising Expenses	Total	Total
EXPENSES					
Salaries and wages	$ 454,492	$ 159,034	-	$ 613,526	$ 574,326
Payroll taxes and benefits	87,897	30,904	-	118,801	108,819
Bank and credit card fees	-	6,306	64	6,370	6,009
Cafeteria expense	75,943	9,386	-	85,329	39,886
Classroom expense	24,437	6,496	-	30,933	26,346
Depreciation and amortization	-	52,023	-	52,023	49,960
Development and publicity	15,288	1,889	-	17,177	16,754
Dues and fees	-	1,081	-	1,081	398
Fundraising expense	-	-	1,544	1,544	2,030
Insurance	-	34,784	-	34,784	30,103
Interest	-	45,749	-	45,749	47,995
Loss on disposal of assets	-	427	-	427	2,592
Office expense	8,122	1,547	-	9,669	8,813
Professional development	669	1,046	-	1,715	275
Professional fees	-	8,230	-	8,230	9,481
Rent	-	3,000	-	3,000	7,000
Repairs and maintenance	27,814	33,205	-	61,019	55,243
Room and board expenses	4,000	-	-	4,000	6,800
School activities expense	28,107	2,471	309	30,887	28,466
Summer camp expense	2,035	252	-	2,287	5,310
Telephone	2,157	719	-	2,876	3,486
The Farm at The Well	-	-	-	-	3,946
Utilities	16,536	5,512	-	22,048	22,150
Vehicle expense	7,819	3,754	-	11,573	7,219
Miscellaneous	45	937	3,480	4,462	16,536
Total expenses	$ 755,361	$ 408,752	$ 5,397	$ 1,169,510	$ 1,079,943

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

THE WELL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 69,672	$ (24,760)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	52,023	49,960
(Gain)/loss on disposal of assets	427	2,592
Change in operating accounts:		
Accounts receivable	3,267	(503)
Pledges receivable	(200)	-
Prepaid expenses	(202)	(5,757)
Accounts payable	(1,450)	2,240
Accrued payroll and payroll taxes	3,448	6,658
Deferred tuition revenues	9,570	62,051
Net cash provided by (used for) operating activities	136,555	92,481
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	(427)	-
Purchase of property and equipment	(15,006)	(30,763)
Net cash used for investing activities	(15,433)	(30,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on long-term debt	(48,663)	(46,418)
NET INCREASE (DECREASE) IN CASH	72,459	15,300
CASH, beginning of year	506,517	491,217
CASH, end of year	$ 578,976	$ 506,517
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	$ 45,749	$ 47,995

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Well (the School) is a not-for-profit, tax-exempt organization formed for the purpose of providing educational services from pre-school to 8th grade. The School grants credit to families, substantially all of whom are local residents.

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 School to distinguish between contributions that increase permanently restricted nets assets, temporarily restricted net assets, and unrestricted net assets. 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 a statement of cash flows.

The three classes of net assets, based on the absence or existence of donor-imposed restrictions, are defined as follows:

Unrestricted net assets - not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired.

Temporarily restricted net assets - subject to donor-imposed stipulations that may be fulfilled by actions of the School or become unrestricted by the passage of time.

Permanently restricted net assets - subject to donor-imposed stipulations that must be retained and invested permanently by the School.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. At June 30, 2017 and 2016, management did not believe an allowance for doubtful accounts was needed.

Property and Equipment

Expenditures for acquisition, renewal and betterments 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 School charges to expenses annual amounts of depreciation which allocate the cost of equipment over the estimated useful lives, using the straight-line method.

Deferred Tuition Revenue

Deferred tuition revenue results from tuition and fees collected as of June 30th that are applicable to the next school year.

Donated Services

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

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the Statement of Activities. Accordingly, certain costs have been among the programs and supporting services benefited.

Income Tax Status

The Well is exempt from Federal and State income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3). The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

The School follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes* , which clarifies the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FASB ASC 740-10 did not have a material impact on the School's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status (continued)

The School's Federal Form 990 (Return of Organization Exempt From Income Tax) for fiscal years 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after which they were filed.

The School recognizes interest related to unrecognized tax benefits in interest expense and penalties that are included within reported expenses. During the year ended June 30, 2017 and 2016, the School had no interest or penalties accrued related to unrecognized tax benefits.

2. CONCENTRATION OF RISK

The School 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, 2017 and 2016, the School had uninsured cash balances of $175,998 and $103,920, respectively. Management believes there is minimal risk of loss from uninsured balances.

3. PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises of donor contributions for the capital campaign at June 30, 2017 and 2016. The allowance for uncollectible pledges was $0 of June 30, 2017 and 2016. Pledge payments over the following years follows:

	2017	2016
Pledge Payments	$ 200	$ -

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2017	2016
Buildings and improvements	$ 1,533,160	$ 1,521,309
Equipment and fixtures	506,420	507,091
Land	334,704	334,704
Vehicles	15,000	15,000
	2,389,284	2,378,104
Less: accumulated depreciation	761,518	715,862
	$ 1,627,766	$ 1,662,242

Depreciation expense was $49,481 and $47,418 for the years ended June 30, 2017 and 2016, respectively.

5. LOAN FEES

The School is amortizing loan fees over the life of the mortgage. Total cost of loan fees were $25,416 at June 30, 2017 and 2016. Accumulated amortization was $18,427 and $15,885 at June 30, 2017 and 2016, respectively.

Total amortization expense for the years ended June 30, 2017 and 2016 was $2,542 and $2,542 respectively.

6. OTHER ASSET

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

7. LONG-TERM DEBT

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

	2017	2016
Mortgage note payable to People's United Bank, secured by certain real estate, payable monthly at $7,868, including interest at 4.4%, through March 2020, when a balloon payment is due. Loan was refinanced in March 2013.	$ 998,924	$ 1,047,587
Less current portion	51,613	49,395
	$ 947,311	$ 998,192

Maturities of long-term debt are as follows:

2018	51,613
2019	53,931
2020	893,380
	$ 998,924

The loan contains a covenant stating that a minimum Debt Service Coverage Ratio of at least 1.20 to 1.00 will be maintained, determined by the annual financial information provided. Per the promissory note Debt Service Coverage Ratio is defined as follows: (A) Change in net assets, plus interest expense, plus depreciation, plus amortization expenses, divided by (B) current obligations of long-term indebtedness including, principal and accrued interest obligations. If the Debt Service Coverage Ratio requirements are not met the outstanding principal will be due within 30 days of notification from People's United Bank or additional collateral may be provided if considered satisfactory to People's Untied Bank. The option exists to apply for a waiver if the covenant is not met.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are funds relating to subsequent years' activities. As of June 30, 2017 and 2016 temporarily restricted net assets were $0.

9. SUBSEQUENT EVENTS

The School evaluated events and transactions occurring subsequent to June 30, 2017 as of October 2, 2017, which is the date the financial statements were available to be issued. Subsequent events occurring after October 2, 2017 have not been evaluated by management. No material events have occurred since June 30, 2017 that require recognition or disclosure in the financial statements that have not already been recognized or disclosed in the financial statements for the year ended June 30, 2017.