

AUDITED FINANCIAL STATEMENTS

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Conway, Massachusetts

June 30, 2017

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

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Independent Auditors' Report

To the Board of Trustees
Conway School of Landscape Design, Inc.
Conway, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Conway School of Landscape Design, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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.

Auditors' 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 Conway School of Landscape Design, Inc. 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.

Report on Summarized Comparative Information

We have previously audited Conway School of Landscape Design, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2016. 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.

Other Matters

The accompanying five-year summary of assets, liabilities, income, expenses, and net assets is presented for purposes of additional analysis and is not a required part of the financial statements. Such information in this accompanying schedule 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.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
March 15, 2018

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Statement of Financial Position

June 30, 2017 (with comparative totals for June 30, 2016)

| | 2017 | | | 2016 |
|---|-----------------------------------|-----------------------------------|-------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| | <u>Assets</u> | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 86,074 | \$ 54,850 | \$ 140,924 | \$ 162,908 |
| Project accounts receivable, net | 44,901 | | 44,901 | 74,445 |
| Contributions receivable, net | 5,000 | | 5,000 | 9,250 |
| Prepaid expenses | 30,557 | | 30,557 | 35,405 |
| Total current assets | <u>166,532</u> | <u>54,850</u> | <u>221,382</u> | <u>282,008</u> |
| Property and equipment, net | <u>470,883</u> | | <u>470,883</u> | <u>654,920</u> |
| Other assets | | | | |
| Investments | 202,949 | | 202,949 | 340,829 |
| Tuition loans, net | 11,100 | | 11,100 | 18,000 |
| Total other assets | <u>214,049</u> | | <u>214,049</u> | <u>358,829</u> |
| Total assets | <u>\$ 851,464</u> | <u>\$ 54,850</u> | <u>\$ 906,314</u> | <u>\$ 1,295,757</u> |
| | <u>Liabilities and Net Assets</u> | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 7,428 | | \$ 7,428 | \$ 29,295 |
| Salary and payroll taxes payable | 17,229 | | 17,229 | 22,257 |
| Accrued expenses | 1,759 | | 1,759 | 17,063 |
| Deferred revenue | 48,431 | | 48,431 | 9,000 |
| Mortgage note payable, current | 108,149 | | 108,149 | 7,812 |
| Total current liabilities | <u>182,996</u> | | <u>182,996</u> | <u>85,427</u> |
| Mortgage note payable, long-term | | | | <u>108,024</u> |
| Net assets | | | | |
| Designated by the Board for future use | 154,494 | | 154,494 | 153,854 |
| Undesignated | 513,974 | | 513,974 | 896,102 |
| Total unrestricted net assets | <u>668,468</u> | | <u>668,468</u> | <u>1,049,956</u> |
| Temporarily restricted | | \$ 54,850 | 54,850 | 52,350 |
| Total net assets | <u>668,468</u> | <u>54,850</u> | <u>723,318</u> | <u>1,102,306</u> |
| Total liabilities and net assets | <u>\$ 851,464</u> | <u>\$ 54,850</u> | <u>\$ 906,314</u> | <u>\$ 1,295,757</u> |

The accompanying notes are an integral part of these financial statements.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Statement of Activities

Year Ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

| | 2017 | | | 2016 <u>Total</u> |
|--|---------------------|----------------------------------|--------------|----------------------|
| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | <u>Total</u> | |
| Revenues, gains and other support | | | | |
| Tuition and fees | | | | |
| Tuition | \$ 490,850 | | \$ 490,850 | \$ 719,986 |
| Less: scholarships | (53,750) | | (53,750) | (148,170) |
| Net tuition revenue | 437,100 | | 437,100 | 571,816 |
| Fees | 1,300 | | 1,300 | 1,250 |
| Total tuition and fees | 438,400 | | 438,400 | 573,066 |
| Contributions | 154,110 | \$ 5,000 | 159,110 | 214,153 |
| Project fees | 111,739 | | 111,739 | 142,575 |
| Investment income, net | 16,153 | | 16,153 | 7,130 |
| In-kind contributions | 2,363 | | 2,363 | 863 |
| Workshop fees, net | 1,884 | | 1,884 | 3,304 |
| Miscellaneous income | 7,991 | | 7,991 | 2,264 |
| Net assets released from restrictions | 2,500 | (2,500) | | |
| Total revenues, gains and other support | 735,140 | 2,500 | 737,640 | 943,355 |
| Expenses | | | | |
| Program services: | | | | |
| School activities | 576,757 | | 576,757 | 653,833 |
| Supporting services: | | | | |
| Administration | 296,200 | | 296,200 | 404,727 |
| Fundraising | 92,198 | | 92,198 | 91,160 |
| Total expenses | 965,155 | | 965,155 | 1,149,720 |
| Change in net assets, before impairment loss | (230,015) | 2,500 | (227,515) | (206,365) |
| Impairment loss (Note 4) | (151,473) | | (151,473) | |
| Change in net assets, after impairment loss | (381,488) | 2,500 | (378,988) | (206,365) |
| Net assets - beginning of year | 1,049,956 | 52,350 | 1,102,306 | 1,308,671 |
| Net assets - end of year | \$ 668,468 | \$ 54,850 | \$ 723,318 | \$ 1,102,306 |

The accompanying notes are an integral part of these financial statements.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.
Statement of Functional Expenses
Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

| | 2017 | | | | 2016 |
|------------------------------------|-------------------|-------------------|------------------|-------------------|---------------------|
| | Program | Administration | Fundraising | Total | Total |
| Salaries and benefits | | | | | |
| Salaries | \$ 276,126 | \$ 138,063 | \$ 46,021 | \$ 460,210 | \$ 542,099 |
| Fringe benefits | 30,307 | 15,153 | 5,051 | 50,511 | 34,631 |
| Payroll taxes | 25,646 | 12,824 | 4,275 | 42,745 | 46,916 |
| Total salaries and benefits | <u>332,079</u> | <u>166,040</u> | <u>55,347</u> | <u>553,466</u> | <u>623,646</u> |
| Other expenses | | | | | |
| Occupancy: | | | | | |
| Rent | 36,157 | 10,331 | 5,165 | 51,653 | 48,983 |
| Repairs and maintenance | 18,046 | 5,156 | 2,578 | 25,780 | 2,698 |
| Utilities | 13,200 | 3,772 | 1,886 | 18,858 | 6,427 |
| Property insurance | 8,920 | 2,549 | 1,274 | 12,743 | 9,872 |
| Mortgage interest | 4,188 | 1,196 | 598 | 5,982 | 6,402 |
| Property taxes | | | | | 814 |
| Contracted services | 31,090 | 24,062 | 4,442 | 59,594 | 153,296 |
| Equipment repairs and leasing | 24,897 | 7,114 | 3,557 | 35,568 | 37,787 |
| Bad debts | | 24,787 | | 24,787 | |
| Catalog expense | | 7,967 | 7,966 | 15,933 | 15,607 |
| School events | 15,601 | | | 15,601 | 24,889 |
| Student recruitment | 14,661 | | | 14,661 | 16,222 |
| Fees and dues | 3,950 | 9,133 | 564 | 13,647 | 21,342 |
| Presenters | 8,013 | | | 8,013 | 13,912 |
| Professional fees | | 6,600 | 1,134 | 7,734 | 17,041 |
| Office supplies | | 7,375 | | 7,375 | 14,076 |
| Telephone | 5,074 | 1,450 | 725 | 7,249 | 11,693 |
| Student projects | 5,610 | | | 5,610 | 11,015 |
| Staff travel | 546 | 4,745 | | 5,291 | 8,920 |
| Insurance | 2,474 | 706 | 353 | 3,533 | 3,816 |
| Small equipment | 2,401 | | | 2,401 | 18,498 |
| Postage | 1,349 | 385 | 193 | 1,927 | 1,571 |
| School supplies | 1,479 | | | 1,479 | 10,577 |
| Van expense | 1,244 | | | 1,244 | 1,650 |
| Student trip | 796 | | | 796 | 9,771 |
| Copies and printing | 310 | 88 | 44 | 442 | 4,812 |
| Publications and subscriptions | 70 | | | 70 | 362 |
| Miscellaneous | | | | | 167 |
| Professional development | | | | | 2,590 |
| Total expenses before depreciation | <u>532,155</u> | <u>283,456</u> | <u>85,826</u> | <u>901,437</u> | <u>1,098,456</u> |
| Depreciation | <u>44,602</u> | <u>12,744</u> | <u>6,372</u> | <u>63,718</u> | <u>51,264</u> |
| Total expenses | <u>\$ 576,757</u> | <u>\$ 296,200</u> | <u>\$ 92,198</u> | <u>\$ 965,155</u> | <u>\$ 1,149,720</u> |

The accompanying notes are an integral part of these financial statements.

CONWAY SCHOOL ON LANDSCAPE DESIGN, INC.

Statement of Cash Flows

Year Ended June 30, 2017

(with comparative totals for the year ended June 30, 2016)

| | 2017 | 2016 |
|---|--------------|--------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (378,988) | \$ (206,365) |
| Adjustments to reconcile change in net assets to net cash used by operating activities | | |
| Depreciation | 63,718 | 51,264 |
| Net realized (gain) loss on sale of investments | (8,401) | 81 |
| Net unrealized (gain) loss in market value of investments | (198) | 2,454 |
| Increase in allowance for doubtful accounts | 2,595 | |
| Write-off of receivables | 22,192 | |
| Impairment loss | 151,473 | |
| (Increase) decrease in assets: | | |
| Project accounts receivable | 25,949 | (41,899) |
| Contributions receivable | 1,058 | (6,235) |
| Prepaid expenses | 4,848 | (8,412) |
| Note receivable, net | | 19,394 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (21,867) | 18,623 |
| Salary and payroll taxes payable | (5,028) | 3,039 |
| Accrued expenses | (15,304) | 9,171 |
| Deferred revenue | 39,431 | (8,300) |
| Net cash used by operating activities | (129,622) | (167,185) |
| Cash flows from investing activities | | |
| Proceeds from sale of investments | 152,126 | 50,330 |
| Purchase of investments | (5,647) | (6,910) |
| Purchases of property and equipment | (31,154) | (51,545) |
| Net cash provided (used) by investing activities | 115,325 | (8,125) |
| Cash flows from financing activities | | |
| Repayment of mortgage note payable | (7,687) | (8,405) |
| Net cash used by financing activities | (7,687) | (8,405) |
| Net decrease in cash and cash equivalents | (21,984) | (183,715) |
| Cash and cash equivalents - beginning of year | 162,908 | 346,623 |
| Cash and cash equivalents - end of year | \$ 140,924 | \$ 162,908 |
| Supplemental disclosures of cash flows information: | | |
| Cash paid for interest | \$ 5,982 | \$ 6,402 |

The accompanying notes are an integral part of these financial statements.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Notes to Financial Statements

June 30, 2017

1. Summary of Significant Accounting Policies

- a. *Nature of Business:* Conway School of Landscape Design, Inc. (the School) is a private not-for-profit organization incorporated under the laws of the state of Massachusetts. The School operates a small ten-month graduate program in environmentally sound landscape design and land use planning in Conway and Easthampton, Massachusetts. The program is intensive and inventive, the work is professional and creative, and the setting is unique.

The Master of Science program is structured around professional-level work for actual clients for whom the students provide design services on an expenses-only basis. The students produce the drawings and reports characteristic of the designer/planner while learning the technical skills and developing the intellectual processes of the profession. Integrated throughout the program is a strong emphasis on communication skills and ecological awareness.

- b. *Accreditation:* The Conway School of Landscape Design, Inc. has full accreditation from the New England Association of Schools and Colleges.
- c. *Tax Exempt Status:* The School is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for federal or state income taxes has been made. In addition, the School qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).
- d. *Basis of Presentation:* The financial statements of the School have been prepared on the accrual basis. The net assets of the School are reported in each of the following three classes, when applicable: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are unrestricted and are reported as part of the unrestricted class. Support received that is designated for future periods or restricted by the donor for specific purposes is reported as temporarily restricted or permanently restricted support that increases those net asset classes. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support is reported as unrestricted.
- e. *Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.
- f. *Cash and Cash Equivalents:* For financial statement purposes, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less as cash equivalents.
- g. *Investments:* Investments are comprised of cash, money market funds, U.S. Treasury obligations, corporate bonds, mutual funds and certificates of deposit and are reported at fair market value. Investments received as gifts are recorded at fair market value at the date of the gift.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Notes to Financial Statements (Continued)

June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

h. Fair Value Measurements: Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

| | |
|---------|--|
| Level 1 | Unadjusted quoted prices for identical assets or liabilities in active markets. Market price is generally obtained from exchange or dealer markets. |
| Level 2 | Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Unobservable and significant to the fair value measurement. |

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

- i. Property and Equipment:* Property and equipment are stated at cost less accumulated depreciation or fair value at date of donation in the case of gifts. Depreciation is being provided by the use of the straight-line method over the estimated useful lives of the related assets. The School capitalizes assets that have a useful life of at least 3 to 5 years for computer equipment, 5 to 10 years for other equipment, and furnishings and fixtures that cost \$1,500 or more.
- j. Comparative Information:* The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.
- k. Reclassifications:* Certain reclassifications have been made to the year ended June 30, 2016 comparative totals to conform to the June 30, 2017 presentation. These reclassifications have no effect on the previously reported change in net assets for the year ended June 30, 2016.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.
Notes to Financial Statements (Continued)
June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

1. *Donated Services and Materials:* Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Some of the individuals who present lectures have donated their services and the value of these donated services is included as support and expenses in the period received. A substantial number of individuals, including staff and Board of Trustees, have made significant contributions of their time that have not met the appropriate criteria for recording in these financial statements.

2. Project Accounts Receivable, Net

The School's project accounts receivable, net consisted of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|------------------|------------------|
| Project accounts receivable | \$ 48,496 | \$ 74,445 |
| Less: allowance for doubtful accounts | <u>3,595</u> | <u>-0-</u> |
| Project accounts receivable, net | <u>\$ 44,901</u> | <u>\$ 74,445</u> |

3. Contributions Receivable

The School's contributions receivable consisted of pledges from the annual campaign as follows at June 30:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|-----------------|-----------------|
| Contributions receivable | \$ 5,000 | \$ 10,250 |
| Less: allowance for doubtful accounts | <u>-0-</u> | <u>1,000</u> |
| Contributions receivable, net | <u>\$ 5,000</u> | <u>\$ 9,250</u> |

4. Property and Equipment

Property and equipment consisted of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-------------------|-------------------|
| Library (fully depreciated) | \$ 21,252 | \$ 21,252 |
| Furniture and equipment | 122,500 | 111,200 |
| Building and improvements | 757,791 | 889,410 |
| Land improvements | 21,411 | 21,411 |
| Vehicles (fully depreciated) | <u>15,023</u> | <u>15,023</u> |
| | 937,977 | 1,058,296 |
| Less accumulated depreciation | <u>467,094</u> | <u>403,376</u> |
| Total property and equipment, net | <u>\$ 470,883</u> | <u>\$ 654,920</u> |

Depreciation expense was \$63,718 and \$51,264 for the years ended June 30, 2017 and 2016, respectively.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Notes to Financial Statements (Continued)

June 30, 2017

4. Property and Equipment (Continued)

The School sold the Conway, Massachusetts, property in October 2017 (see Note 16) for \$455,000, which resulted in a loss of \$151,473. The School recorded this loss during the year ended June 30, 2017, and reduced the value of the property to reflect the impairment of the value of this asset at June 30, 2017.

5. Investments

The School's investments, stated at market value, consisted of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|------------------|------------------|
| Certificate of deposit | \$ 51,049 | \$126,964 |
| Corporate bonds and notes | | 50,428 |
| Mutual funds of stocks and bonds | <u>151,900</u> | <u>163,437</u> |
| Total Investments | <u>\$202,949</u> | <u>\$340,829</u> |

Fair values for these investments are considered Level 1 investments that are determined by reference to quoted market prices and other relevant information generated by market transactions.

Money market accounts of \$5,914 and \$145,735 at June 30, 2017 and 2016, respectively, are reported as cash equivalents on the statement of financial position.

Investment income is allocated to the various net assets based on the percentage of each net asset to the total net assets.

Net realized gains/(losses) from the sales of investments, which are included in investment income on the statement of activities, were \$8,401 and \$(81) for the years ended June 30, 2017 and 2016, respectively.

Net unrealized gains/(losses) from changes in the market value of the investments, which are included in investment income on the statement of activities, were \$198 and \$(2,454) for the years ended June 30, 2017 and 2016, respectively.

6. Tuition Loans

There were six tuition loans made during the year ended June 30, 2012. The loans were for \$3,000 each, with no principal or interest due for the first five years. As of July 1, 2017, the School began to charge interest at the Prime Rate plus 1.00% (5.25%). The School considers these loans collectible net of an allowance for doubtful accounts of \$6,900, at June 30, 2017.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.
Notes to Financial Statements (Continued)
June 30, 2017

7. Deferred Revenue

Deferred revenue consisted of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|-----------------|-----------------|
| Tuition received in advance | \$34,096 | |
| Workshop fee received in advance | 1,585 | |
| Non-refundable tuition deposits | <u>12,750</u> | <u>\$ 9,000</u> |
| | <u>\$48,431</u> | <u>\$ 9,000</u> |

8. Mortgage Note Payable

The School had one mortgage note payable at June 30:

| | <u>2017</u> | <u>2016</u> |
|---|----------------|------------------|
| Note payable to a bank, secured by a mortgage on the School building in Conway; payable in monthly installments of \$1,139, including interest at 5.25%. This mortgage was paid off in October 2017 when the property was sold (see Note 16). | \$108,149 | \$115,836 |
| Less current portion | <u>108,149</u> | <u>7,812</u> |
| Mortgage note payable, long-term | <u>\$ -0-</u> | <u>\$108,024</u> |

9. Board Designated Net Assets

In 1993, the Board of Trustees designated \$52,000 of the School's income, plus any income earned on the investment of those funds, be set aside for expenditures specifically approved by the Board. This amount has been increased by additional Board designations and income earned and decreased by Board approved expenditures. The Board of Trustees designated an additional \$64,777 in October 2013.

The following transactions occurred during the fiscal years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|------------------|------------------|
| Balance, beginning of year | \$153,854 | \$153,234 |
| Investment income | <u>640</u> | <u>620</u> |
| Total designated | <u>\$154,494</u> | <u>\$153,854</u> |
| Future use to be Determined by Board | <u>\$154,494</u> | <u>\$153,854</u> |
| Total by designation | <u>\$154,494</u> | <u>\$153,854</u> |

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.
Notes to Financial Statements (Continued)
June 30, 2017

10. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| David Bird International Service Fellowship | \$ 54,850 | \$ 51,350 |
| Miscellaneous other purposes | <u>-0-</u> | <u>1,000</u> |
| | <u>\$ 54,850</u> | <u>\$ 52,350</u> |

11. Pension Plan – Simple IRA

The School offers all employees who have earned over \$5,000 annually the opportunity to participate in the School’s Simple IRA plan. The School contributes up to 3% of the gross salary, not to exceed \$6,000 per person as allowed by federal statutes. All employer contributions made to employees’ Simple IRA accounts are 100% vested and not forfeitable. The School contributed \$5,498 and \$9,338 to the pension plan for the years ended June 30, 2017 and 2016, respectively. These expenses are included in fringe benefits on the statement of functional expenses.

12. Student Recruitment

The School advertises to recruit students and to promote its programs among those who have expressed interest in environmentally sound landscape design and land use planning. In addition, informational material is provided at conferences and in periodicals that focuses on these same goals. Expenditures for student recruitment totaled \$14,661 and \$16,222 for the years ended June 30, 2017 and 2016, respectively.

13. Student Financial Assistance Program

Students attending the School are eligible for federal student loans. The School’s financial assistance program was audited for the years ended June 30, 2017 and 2016, to ensure compliance with the guidelines established by the lenders. The School was found to be in compliance and will continue to provide federal financial assistance in the future. Each year, a number of students would not be able to attend the School without this assistance; thus, the loss of the School’s eligibility under this program could impair its financial stability.

14. Concentrations of Risk

Since a significant portion of the total support and revenue was generated from student tuition and related project fees during the fiscal years ended June 30, 2017 and 2016, the School could experience financial difficulties if the number of students were to decline.

15. Rent Agreement

The School rents space for its Easthampton, Massachusetts, campus under a lease agreement requiring payments of \$4,699 per month until June 30, 2018. Rent expense was \$51,653 and \$48,983 for the years ended June 30, 2017 and 2016, respectively. Estimated rent expense is \$56,388 for the year ended June 30, 2018.

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Notes to Financial Statements (Continued)

June 30, 2017

16. Subsequent Events

Management has evaluated subsequent events after the statement of financial position date of June 30, 2017, through March 15, 2018, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required, except for the following.

The School sold property in Conway, Massachusetts on October 16, 2017, for \$455,000. The school paid off the mortgage payable on this property detailed in Note 8 with a portion of the proceeds of this sale. The sales price was less than the net book value of the property, resulting in a loss of \$151,473.

The School entered into an agreement on January 18, 2018, to purchase property in Northampton, Massachusetts, at an amount estimated to not exceed \$880,000, of which the seller is obligated to provide financing of up to \$830,000, secured by a mortgage and amortized in equal monthly installments of principal and interest over a twenty-year period with interest fixed at 3.00%, per annum.

Supplementary Information

CONWAY SCHOOL OF LANDSCAPE DESIGN, INC.

Five-Year Summary of Assets, Liabilities

Income, Expenses and Net Assets

| | 2013 (as restated) | 2014 (as restated) | 2015 (as restated) | 2016 | 2017 |
|---|-----------------------|-----------------------|-----------------------|---------------------|-------------------|
| Assets | | | | | |
| Operating fund | \$ 562,805 | \$ 662,759 | \$ 601,647 | \$ 584,987 | \$ 380,581 |
| Library & equipment fund | 605,524 | 573,990 | 654,639 | 654,920 | 470,883 |
| Restricted funds | <u>118,815</u> | <u>132,998</u> | <u>231,708</u> | <u>52,350</u> | <u>54,850</u> |
| Total assets | <u>\$ 1,287,144</u> | <u>\$ 1,369,747</u> | <u>\$ 1,487,994</u> | <u>\$ 1,292,257</u> | <u>\$ 906,314</u> |
| Liabilities | | | | | |
| Accounts payable & accrued expenses | \$ 37,963 | \$ 42,624 | \$ 37,782 | \$ 68,615 | \$ 26,416 |
| Deferred income | 10,500 | 10,125 | 17,300 | 9,000 | 48,431 |
| Mortgage payable | <u>137,595</u> | <u>131,095</u> | <u>124,241</u> | <u>115,836</u> | <u>108,149</u> |
| Total liabilities | <u>186,058</u> | <u>183,844</u> | <u>179,323</u> | <u>193,451</u> | <u>182,996</u> |
| Net assets | | | | | |
| Operating fund - undesignated | 895,038 | 900,286 | 923,729 | 892,602 | 513,974 |
| Operating fund - designated | 87,233 | 152,619 | 153,234 | 153,854 | 154,494 |
| Restricted loan fund | 91,165 | 8,562 | 32,050 | | |
| Restricted funds - other | <u>27,650</u> | <u>124,436</u> | <u>199,658</u> | <u>52,350</u> | <u>54,850</u> |
| Total net assets | <u>1,101,086</u> | <u>1,185,903</u> | <u>1,308,671</u> | <u>1,098,806</u> | <u>723,318</u> |
| Total liabilities and net assets | <u>\$ 1,287,144</u> | <u>\$ 1,369,747</u> | <u>\$ 1,487,994</u> | <u>\$ 1,292,257</u> | <u>\$ 906,314</u> |
| Income, revenue & expenses | | | | | |
| School income | | | | | |
| Tuition | \$ 542,525 | \$ 470,500 | \$ 504,050 | \$ 573,066 | \$ 438,400 |
| Project fees | 81,753 | 80,423 | 96,692 | 142,575 | 111,739 |
| Total school income | <u>624,278</u> | <u>550,923</u> | <u>600,742</u> | <u>715,641</u> | <u>550,139</u> |
| School expenses | | | | | |
| Program expense | 455,029 | 415,483 | 474,358 | 653,833 | 576,757 |
| Administrative expense | 210,111 | 221,670 | 241,560 | 404,727 | 296,200 |
| Total school expenses | <u>665,140</u> | <u>637,153</u> | <u>715,918</u> | <u>1,058,560</u> | <u>872,957</u> |
| Net school loss | (40,862) | (86,230) | (115,176) | (342,919) | (322,818) |
| Other revenue & investment income - net of non-program charges | | | | | |
| | 31,208 | 21,627 | 11,458 | 12,698 | 26,028 |
| Contributions | 112,260 | 295,970 | 370,221 | 215,016 | 161,473 |
| Loss on disposal of equipment | (1,190) | (672) | | | |
| Fundraising costs | (85,197) | (145,878) | (143,735) | (91,160) | (92,198) |
| Impairment loss | | | | | <u>(151,473)</u> |
| Change in net assets | <u>16,219</u> | <u>84,817</u> | <u>122,768</u> | <u>(206,365)</u> | <u>(378,988)</u> |
| Beginning net assets | <u>1,084,867</u> | <u>1,101,086</u> | <u>1,185,903</u> | <u>1,308,671</u> | <u>1,102,306</u> |
| Ending net assets | <u>\$ 1,101,086</u> | <u>\$ 1,185,903</u> | <u>\$ 1,308,671</u> | <u>\$ 1,102,306</u> | <u>\$ 723,318</u> |
| Students per class | 18.0 | 16.0 | 17.0 | 24.0 | 14.0 |

See independent auditors' report.