

**Waldorf School Association
of Boulder, Inc. d.b.a.
Shining Mountain Waldorf School**
(a nonprofit Colorado corporation)
Boulder, Colorado

Financial Statements

June 30, 2017 and 2016

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Table of Contents

Independent Auditors' Report	Pages 1-2
Statements of Financial Position June 30, 2017 and 2016	Page 3
Statement of Activities Year ended June 30, 2017	Page 4
Statement of Activities Year ended June 30, 2016	Page 5
Statements of Cash Flows Years ended June 30, 2017 and 2016	Page 6
Notes to Financial Statements	Pages 7-18
<u>Supplementary Information</u>	
Schedule of Functional Expenses Year ended June 30, 2017	Page 19
Schedule of Functional Expenses Year ended June 30, 2016	Page 20



ALTRUICADVISORS™

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

...helping nonprofits create good

Independent Auditors' Report

To the Board of Trustees
Waldorf School Association of Boulder, Inc.
d.b.a. Shining Mountain Waldorf School
Boulder, Colorado

We have audited the accompanying financial statements of Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Altruic Advisors, PLLC

Certified Public Accountants

Boulder, Colorado
October 3, 2017

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Statements of Financial Position

June 30	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,020,323	\$ 1,019,799
Investments	681,402	593,720
Accounts receivable, net	43,752	44,176
Contributions receivable, net	-	16,362
Inventories	46,257	34,013
Prepaid expenses and other current assets	228,733	207,613
Total current assets	<u>2,020,467</u>	<u>1,915,683</u>
Property and Equipment, net	<u>10,403,484</u>	<u>10,626,973</u>
Other Assets		
Restricted cash and cash equivalents	183,315	235,352
Restricted endowment investments	301,836	301,836
Total other assets	<u>485,151</u>	<u>537,188</u>
Total assets	<u><u>\$ 12,909,102</u></u>	<u><u>\$ 13,079,844</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 35,546	\$ 66,213
Accrued compensation and benefits	47,872	75,219
Deferred revenue	658,788	676,804
Bonds payable, current portion	174,669	166,921
Total current liabilities	<u>916,875</u>	<u>985,157</u>
Long-Term Liabilities		
Bonds payable, net of current portion	4,102,597	4,250,624
Interest-rate swap liability	127,359	260,753
Total long-term liabilities	<u>4,229,956</u>	<u>4,511,377</u>
Total liabilities	<u>5,146,831</u>	<u>5,496,534</u>
Net Assets		
Unrestricted		
Undesignated	912,771	912,038
Board-designated operating reserve	100,000	-
Net property and equipment	5,998,859	5,948,675
Total unrestricted net assets	<u>7,011,630</u>	<u>6,860,713</u>
Temporarily restricted net assets	448,805	420,761
Permanently restricted net assets	301,836	301,836
Total net assets	<u>7,762,271</u>	<u>7,583,310</u>
Total liabilities and net assets	<u><u>\$ 12,909,102</u></u>	<u><u>\$ 13,079,844</u></u>

The accompanying Notes are an integral
part of these financial statements

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Statement of Activities

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Revenue				
Tuition and fees, net of financial aid and scholarships of \$1,115,694	\$ 4,103,866	\$ -	\$ -	\$ 4,103,866
Program and other income	207,689	-	-	207,689
Merchandise sales, net	16,525	-	-	16,525
Total revenue	<u>4,328,080</u>	<u>-</u>	<u>-</u>	<u>4,328,080</u>
Support				
Contributions	132,431	225,768	-	358,199
Special event income, net of expenses of \$41,083	40,111	-	-	40,111
Total support	<u>172,542</u>	<u>225,768</u>	<u>-</u>	<u>398,310</u>
Gains				
Change in value of interest-rate swap	133,394	-	-	133,394
Net realized and unrealized gains on investments	17,241	-	-	17,241
Interest and dividend income	16,090	-	-	16,090
Total gains	<u>166,725</u>	<u>-</u>	<u>-</u>	<u>166,725</u>
Net assets released from restrictions	<u>197,724</u>	<u>(197,724)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>4,865,071</u>	<u>28,044</u>	<u>-</u>	<u>4,893,115</u>
Functional Expenses				
Program services	3,114,665	-	-	3,114,665
Supporting services				
General and administrative	1,489,024	-	-	1,489,024
Fundraising	110,465	-	-	110,465
Total functional expenses	<u>4,714,154</u>	<u>-</u>	<u>-</u>	<u>4,714,154</u>
Change in Net Assets	150,917	28,044	-	178,961
Net Assets, Beginning of Year	<u>6,860,713</u>	<u>420,761</u>	<u>301,836</u>	<u>7,583,310</u>
Net Assets, End of Year	<u>\$ 7,011,630</u>	<u>\$ 448,805</u>	<u>\$ 301,836</u>	<u>\$ 7,762,271</u>

The accompanying Notes are an integral
part of these financial statements

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Statement of Activities

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Revenue				
Tuition and fees, net of financial aid and scholarships of \$1,143,020	\$ 4,377,783	\$ -	\$ -	\$ 4,377,783
Program and other income	85,954	-	-	85,954
Merchandise sales, net	12,804	-	-	12,804
Total revenue	4,476,541	-	-	4,476,541
Support				
Contributions	72,053	418,984	-	491,037
Special event income, net of expenses of \$32,174	76,932	-	-	76,932
Total support	148,985	418,984	-	567,969
Gains				
Change in value of interest-rate swap	43,966	-	-	43,966
Gain on sale of equipment	900	-	-	900
Interest and dividend income	5,180	-	-	5,180
Total gains	50,046	-	-	50,046
Net assets released from restrictions	672,293	(672,293)	-	-
Total revenue, support, and gains	5,347,865	(253,309)	-	5,094,556
Functional Expenses and Losses				
Functional Expenses				
Program services	3,249,564	-	-	3,249,564
Supporting services				
General and administrative	1,480,553	-	-	1,480,553
Fundraising	105,314	-	-	105,314
Total functional expenses	4,835,431	-	-	4,835,431
Losses				
Net realized and unrealized losses on investments	2,019	-	-	2,019
Total functional expenses and losses	4,837,450	-	-	4,837,450
Change in Net Assets	510,415	(253,309)	-	257,106
Net Assets, Beginning of Year	6,350,298	674,070	301,836	7,326,204
Net Assets, End of Year	\$ 6,860,713	\$ 420,761	\$ 301,836	\$ 7,583,310

The accompanying Notes are an integral
part of these financial statements

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 178,961	\$ 257,106
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	353,462	366,657
Amortization of debt issuance costs	26,642	21,768
Provision for bad debts	56,607	92,684
Provision for obsolete inventory	-	22,900
Gain on sale of equipment	-	(900)
Net realized and unrealized (gains) losses on investments	(17,241)	2,019
Donated investments	(5,018)	-
Change in value of interest-rate swap	(133,394)	(43,966)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(54,738)	(35,345)
Contributions receivable	16,362	38,685
Inventories	(12,244)	2,786
Prepaid expenses and other current assets	(22,565)	(68,236)
Accounts payable and accrued expenses	(30,667)	(8,873)
Accrued compensation and benefits	(27,347)	22,790
Deferred revenue	(18,016)	(118,406)
Net cash provided by operating activities	<u>310,804</u>	<u>551,669</u>
Cash Flows From Investing Activities		
Net purchases of investments	(65,423)	(64,662)
Purchases of property and equipment	(129,973)	(86,361)
Proceeds from sale of property and equipment	-	900
Change in restricted cash	52,037	(457)
Net cash used by investing activities	<u>(143,359)</u>	<u>(150,580)</u>
Cash Flows From Financing Activities		
Principal payments on bonds payable	(166,921)	(158,983)
Net cash used by financing activities	<u>(166,921)</u>	<u>(158,983)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	524	242,106
Cash and Cash Equivalents, Beginning of Year	<u>1,019,799</u>	<u>777,693</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,020,323</u>	<u>\$ 1,019,799</u>
Supplemental Information		
Cash paid for interest	<u>\$ 200,019</u>	<u>\$ 208,058</u>

The accompanying Notes are an integral
part of these financial statements

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Operations. The Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School (the School) is a preschool through Grade 12 school in Boulder, Colorado focused on cultivating each student's capacity for lively independent thinking, artistically imbued feeling, and moral courage for responsible action. The School is rooted in the methods and philosophy of Rudolph Steiner, an Austrian-born scientist, educator, and philosopher. The School began in 1983 with 80 students, has since been granted full accreditation by the Association of Colorado Independent Schools and the Association of Waldorf Schools of North America, and has grown to approximately 300 students. Funding for the school is primarily obtained through student tuition and fees and charitable contributions from interested parties.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the School have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Classification. The School distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The School complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted Net Assets. Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the School or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently Restricted Net Assets. Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained in perpetuity.

The Board of Trustees has determined that a portion of the School's net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), adopted by the State of Colorado in 2008. The School has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Net Asset Classification (continued). As a result of this interpretation, the School generally classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, and (7) the School's investment policies.

Endowment Investment Policies. The School has adopted investment policies that include a conservative risk tolerance to ensure the long-term stability of its endowment fund. To achieve the objective of the endowment, the investment policy attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the fund if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment Spending Policies. Provided that there are annual earnings from the investments of the endowment funds, the School expends the earnings in accordance with the direction of the applicable donor gift instrument.

Cash and Cash Equivalents. The School considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Certain cash is restricted for long-term purposes and, accordingly, is excluded from cash and cash equivalents.

Investments. The School's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The School's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements. The School reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The 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). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 Inputs to the valuation methodology include:

- 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.

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.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value on a recurring basis:

Debt and Equity Securities and Mutual Funds. The School values securities with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Pooled Lending Funds. The School values pooled lending funds at fair value by using the principal amount of the investment plus accrued interest which is equal to the payable at the measurement date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued). Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2017 and 2016.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts Receivable. Accounts receivable consist primarily of amounts due from students for tuition and fees and are stated net of an allowance for uncollectible accounts. Management's estimate of uncollectible accounts is based upon an analysis of aging accounts receivable compared to payments received and determining collection reasonableness based on those comparisons. Accounts receivable not paid by the first day of the semester are considered past due. For accounts that are significantly past due, the School attempts to establish a note receivable for the outstanding balance. Accounts are written off when all methods of collection have been exhausted. The School has recorded an allowance of \$55,162 and \$82,804 at June 30, 2017 and 2016, respectively.

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the School expects to receive, allowing for estimated uncollectible pledges. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. The School has recorded an allowance of \$16,363 for the year ended June 30, 2016. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories. Inventories consist of bookstore merchandise, grocery store gift cards, clothing, and supplies and are recorded at the lower of cost or market. Donated items, if any, are recorded at fair value at the date of receipt. All inventories are expensed when sold.

Property and Equipment. It is the School's policy to capitalize property and equipment at cost for purchases over \$2,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which are generally five to thirty-nine years for buildings and improvements, three to fifteen years for equipment, five to seven years for furniture and fixtures, and five years for vehicles. Depreciation expense for the years ended June 30, 2017 and 2016 was \$353,462 and \$366,657, respectively.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2017 and 2016.

Restricted Cash. Restricted cash consists of amounts received from bond proceeds and is restricted for the use of capital development.

Derivative Instruments. The School uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The gain or loss on the effective portion of the hedge is included in the statement of activities. The School documents its risk management strategy and hedge effectiveness at the inception of and during the term of the hedge. The School's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded as a deferred revenue liability when payments are received. As the services are rendered, revenue is then recorded.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services for the years ended June 30, 2017 and 2016.

Advertising. The School expenses advertising costs, including donated advertising, as incurred. Advertising expense for the years ended June 30, 2017 and 2016 was \$41,114 and \$45,107, respectively.

Income Taxes. The School is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2016 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The School evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 3, 2017, the date at which the financial statements were available for release.

Note 2 – Fair Value Measurements

The following table summarizes the School's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of June 30, 2017:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Pooled lending funds	\$ -	\$ -	\$ 388,858	\$ 388,858
Mutual funds				
Asian Pacific	12,409	-	-	12,409
Bank loans	20,055	-	-	20,055
Europe stock	11,562	-	-	11,562
Foreign large blend	16,528	-	-	16,528
Intermediate bond	9,654	-	-	9,654
Large blend	41,879	-	-	41,879
Large growth	23,974	-	-	23,974
Large value	28,654	-	-	28,654
Nontraditional bond	19,604	-	-	19,604
Real estate	5,660	-	-	5,660
Short-term bond	89,824	-	-	89,824
Small blend	7,726	-	-	7,726
US Securities	5,015	-	-	5,015
	<u>\$ 292,544</u>	<u>\$ -</u>	<u>\$ 388,858</u>	<u>\$ 681,402</u>

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 – Fair Value Measurements (continued)

Endowment investments				
Mutual funds				
Large blend	\$ 62,420	\$ -	\$ -	\$ 62,420
Large value	74,765	-	-	74,765
Short-term bond	164,651	-	-	164,651
	301,836	-	-	301,836
Total assets at fair value	\$ 594,380	\$ -	\$ 388,858	\$ 983,238
 <u>Liabilities</u>				
Interest-rate swap liability	\$ -	\$ 127,359	\$ -	\$ 127,359

The following table summarizes the School's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Investments				
Pooled lending funds	\$ -	\$ -	\$ 386,442	\$ 386,442
Mutual funds				
Asian Pacific	11,683	-	-	11,683
Bank loans	19,677	-	-	19,677
Conservative bond	41,553	-	-	41,553
Europe stock	10,796	-	-	10,796
Large blend	10,290	-	-	10,290
Large growth	19,887	-	-	19,887
Large value	13,577	-	-	13,577
Nontraditional bond	19,420	-	-	19,420
Short-term bond	60,395	-	-	60,395
	207,278	-	386,442	593,720
Endowment investments				
Mutual funds				
Conservative bond	42,772	-	-	42,772
Large blend	65,022	-	-	65,022
Short-term bond	194,042	-	-	194,042
	301,836	-	-	301,836
Total assets at fair value	\$ 509,114	\$ -	\$ 386,442	\$ 895,556
 <u>Liabilities</u>				
Interest-rate swap liability	\$ -	\$ 260,753	\$ -	\$ 260,753

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 – Fair Value Measurements (continued)

The changes in the investments for which the School has used Level 3 inputs to determine the fair values are as follows:

	Pooled Lending Funds
Balance as of July 1, 2015	\$ 384,997
Interest	1,445
Balance as of June 30, 2016	386,442
Interest	2,416
Balance as of June 30, 2017	\$ 388,858

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The School evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2017 and 2016, there were no significant transfers in or out of fair value levels.

Net investment earnings consisted of the following for the years ended June 30:

	2017	2016
Interest and dividends	\$ 16,090	\$ 5,180
Net realized and unrealized gains (losses) on investments	17,241	(2,019)
	\$ 33,331	\$ 3,161

Note 3 – Contributions Receivable

Contributions receivable consisted of the following unconditional promises to give at June 30:

	2017	2016
Due in less than one year	\$ -	\$ 32,725
Allowance for uncollectible contributions receivable	-	(16,363)
	\$ -	\$ 16,362

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 4 – Inventories

Inventories consisted of the following at June 30:

	2017	2016
Bookstore	\$ 15,433	\$ 38,159
Grocery cards	24,621	13,348
Supplies and other	6,203	5,406
Provision for obsolete inventory	-	(22,900)
	\$ 46,257	\$ 34,013

Note 5 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2017	2016
Land, buildings and improvements	\$14,444,997	\$14,427,719
Equipment	626,558	634,098
Furniture and fixtures	200,173	190,973
Vehicles	121,252	98,252
Construction in progress	61,883	14,444
	15,454,863	15,365,486
Less accumulated depreciation	(5,051,379)	(4,738,513)
Net property and equipment	\$10,403,484	\$10,626,973

Note 6 - Bonds Payable

During the year ended June 30, 2009, the School was issued Colorado Educational and Cultural Facilities Authority Reserve Bond Series 2009 Bonds (the bonds), which are adjustable rate revenue bonds. The bonds require monthly principal and interest payments of \$30,578, with additional principal payments due throughout the term of the bonds ranging from \$7,744 to \$15,970. The bonds mature in January 2019, at which time all unpaid principal and accrued interest is due. The lender, at its sole discretion, may extend the maturity date to January 2029. The bonds may also be prepaid in whole or in part at any time subject to certain prepayment provisions. The bonds bear interest on the unpaid principal at a rate equal to the sum of 65% of the one-month LIBOR rate, plus 146.25 basis points per annum (calculated at approximately 2.26% and 1.76% at June 30, 2017 and 2016, respectively). The interest rate is subject to a floor rate of 2.5%. The interest rate terms of the bond agreement are subject to a fixed rate swap agreement (see Note 7). The bonds are collateralized by a first deed of trust on the land, building, and improvements.

The bonds are subject to certain financial covenants, of which the most restrictive pertains to maintaining a minimum debt service coverage ratio. The School was in compliance with, or received waivers for, all financial and reporting covenants as of June 30, 2017 and 2016.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 6 - Bonds Payable (continued)

Long-term debt obligations consisted of the following at June 30:

	2017	2016
Bonds payable to Compass Bank	\$ 4,311,732	\$ 4,478,653
Less unamortized debt issuance costs	(34,466)	(61,108)
	4,277,266	4,417,545
Less current portion	(174,669)	(166,921)
	\$ 4,102,597	\$ 4,250,624

Scheduled maturities of the long-term bonds payable are as follows at June 30, 2017:

Year ended June 30	Bonds Payable	Amortization of Debt Issuance Costs	Total
2018	\$ 174,669	\$ 21,768	\$ 152,901
2019	4,137,063	12,698	4,124,365
	\$ 4,311,732	\$ 34,466	\$ 4,277,266

Note 7 - Derivative Transactions

In an effort to manage the economic effect of variable interest obligations associated with bonds payable, the School entered into an interest rate swap agreement with Compass Bank. The swap has a declining notional value matching the outstanding bond principal over time. The School pays interest on the notional value at 4.48%, and receives interest on the notional value at a variable rate equal to the sum of 65% of the one-month LIBOR rate, plus 190.45 basis points per annum (calculated at approximately 2.70% and 2.20% at June 30, 2017 and 2016, respectively). The swap matures in January 2019. The agreement effectively converts variable-rate debt to a fixed rate. The fair value of the liability under the interest rate swap agreement decreased by \$133,394 and \$43,966 for the years ended June 30, 2017 and 2016, respectively, resulting in fair values of the liability of \$127,359 and \$260,753 at June 30, 2017 and 2016, respectively.

Note 8 - Temporarily Restricted Net Assets

The balances of temporarily restricted net assets are as follows:

	July 1, 2016 Balance	Additions	Reductions	June 30, 2017 Balance
Time restricted	\$ 16,362	\$ -	\$ 16,362	\$ -
Purpose restricted				
Scholarships	168,756	100,733	12,000	257,489
High school programs	88,722	22,427	7,439	103,710
Campus development	19,117	-	-	19,117
Other various programs	127,804	102,608	161,923	68,489
	\$ 420,761	\$ 225,768	\$ 197,724	\$ 448,805

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 8 - Temporarily Restricted Net Assets (continued)

	July 1, 2015 Balance	Additions	Reductions	June 30, 2016 Balance
Time restricted	\$ 210,511	\$ -	\$ 194,149	\$ 16,362
Purpose restricted				
Scholarships	122,414	63,297	16,955	168,756
High school programs	109,394	-	20,672	88,722
Campus development	9,117	10,000	-	19,117
Eurythmy room	38,173	-	38,173	-
High school administrative	25,000	-	25,000	-
Other various programs	159,461	345,687	377,344	127,804
	<u>\$ 674,070</u>	<u>\$ 418,984</u>	<u>\$ 672,293</u>	<u>\$ 420,761</u>

Note 9 – Endowment Fund

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 301,836	\$ 301,836
Net investment income	8,411	-	8,411
Appropriated for expenditure	(8,411)	-	(8,411)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 301,836</u>	<u>\$ 301,836</u>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 301,836	\$ 301,836
Net investment income	17,621	-	17,621
Appropriated for expenditure	(17,621)	-	(17,621)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 301,836</u>	<u>\$ 301,836</u>

Note 10 - Operating Leases

The School leases equipment under multiple noncancelable operating leases. The leases require monthly minimum payments totaling \$1,713, and expire from March 2018 to June 2021. Rent expense, including supplies and maintenance, under the lease agreements totaled \$31,266 and \$30,284 for the years ended June 30, 2017 and 2016, respectively.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Notes to Financial Statements

June 30, 2017 and 2016

Note 10 - Operating Leases (continued)

Future annual minimum lease payments required under the noncancelable operating leases are as follows at June 30, 2017:

Year ended June 30	Amount
2018	\$ 20,256
2019	19,632
2020	19,632
2021	19,632
	<u>\$ 79,152</u>

Note 11 - Related Party Transactions

It is the policy of the School to offer tuition discounts to School employees whose children are students of the School. Total tuition discounts received by employees who also serve as members of the board of trustees were \$53,798 and \$89,686 during the years ended June 30, 2017 and 2016, respectively.

Note 12 – Retirement Plan

The School maintains a 401(k) plan covering all employees who are at least 21 years old and have completed at least one year of service. The School may make a discretionary contribution to the plan for those participants who completed more than 500 hours of service and are employed on the last day of the plan year. There were no employer contributions to the plan for the years ended June 30, 2017 and 2016.

Note 13 - Concentrations

Concentrations of Credit Risk. The School's primary customers are individuals. The School performs ongoing credit evaluations of its customers and generally does not require collateral. The School provides reserves for credit losses, as necessary, based on a thorough review of all outstanding accounts. Such losses and yearly provisions have been within management's expectations.

The School routinely maintains cash balances in excess of federally insured limits.

Geographical Concentration. The School receives predominantly all of its support and revenue from Boulder, Colorado and surrounding communities.

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Schedule of Functional Expenses

Year ended June 30, 2017

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,797,622	\$ 766,633	\$ 79,307	\$ 2,643,562
Employee benefits	146,658	62,545	6,470	215,673
Payroll taxes	147,999	63,117	6,529	217,645
Total personnel costs	<u>2,092,279</u>	<u>892,295</u>	<u>92,306</u>	<u>3,076,880</u>
Depreciation	311,047	42,415	-	353,462
Interest expense	-	226,661	-	226,661
School materials	163,358	-	-	163,358
Repairs and maintenance	117,864	16,072	-	133,936
School activities	132,735	-	-	132,735
Insurance	68,462	9,336	-	77,798
Utilities	66,447	9,061	-	75,508
Staff development and recruitment	50,088	16,696	-	66,784
Miscellaneous	40,743	18,814	3,166	62,723
Legal and professional	-	44,988	-	44,988
Licenses, dues, and fees	4,204	37,836	-	42,040
Advertising	-	41,114	-	41,114
Telephone and internet	7,695	32,402	405	40,502
Other supplies	18,641	16,776	1,864	37,281
Equipment rent	25,012	6,253	-	31,265
Bank and merchant fees	-	29,794	-	29,794
IT and computer expenses	4,584	19,302	241	24,127
Bad debt expense	-	23,097	-	23,097
Other fundraising costs	-	-	11,989	11,989
Travel	7,923	2,605	326	10,854
Postage and shipping	2,527	674	168	3,369
Board of trustee and committee expenses	-	2,689	-	2,689
Property tax	1,056	144	-	1,200
Total expenses	<u>\$ 3,114,665</u>	<u>\$ 1,489,024</u>	<u>\$ 110,465</u>	<u>\$ 4,714,154</u>

Waldorf School Association of Boulder, Inc. d.b.a. Shining Mountain Waldorf School

Schedule of Functional Expenses

Year ended June 30, 2016

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,933,371	\$ 635,629	\$ 79,454	\$ 2,648,454
Employee benefits	173,367	56,997	7,125	237,489
Payroll taxes	159,223	52,347	6,543	218,113
Total personnel costs	<u>2,265,961</u>	<u>744,973</u>	<u>93,122</u>	<u>3,104,056</u>
Depreciation	322,658	43,999	-	366,657
Interest expense	-	229,826	-	229,826
Repairs and maintenance	147,803	20,155	-	167,958
School materials	118,724	-	-	118,724
Bad debt expense	-	92,684	-	92,684
Insurance	71,172	9,705	-	80,877
School activities	78,307	-	-	78,307
Utilities	66,902	9,123	-	76,025
Staff development and recruitment	56,406	18,802	-	75,208
Legal and professional	-	70,569	-	70,569
Miscellaneous	35,540	16,403	2,734	54,677
Licenses, dues, and fees	5,227	47,046	-	52,273
IT and computer expenses	9,774	41,154	514	51,442
Advertising	-	45,107	-	45,107
Other supplies	17,190	15,471	1,719	34,380
Equipment rent	24,227	6,057	-	30,284
Bank and merchant fees	-	26,688	-	26,688
Telephone and internet	3,866	16,278	203	20,347
Board of trustee and committee expenses	-	19,633	-	19,633
Travel	11,703	3,847	481	16,031
Property tax	9,809	1,338	-	11,147
Other fundraising costs	-	-	4,805	4,805
Postage and shipping	3,545	945	236	4,726
Printing	750	750	1,500	3,000
Total expenses	<u>\$ 3,249,564</u>	<u>\$ 1,480,553</u>	<u>\$ 105,314</u>	<u>\$ 4,835,431</u>