WALDORF SCHOOL OF SAN DIEGO

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

TABLE OF CONTENTS

The Ozurovich Group, Inc
Certified Public Accountants

www.togcpa.com
Phone: (310) 226-7576 Fax: (310) 226-7595
1901 Avenue of the Stars, Suite 1050, Los Angeles, CA 90067

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Waldorf School of San Diego
San Diego, California

We have audited the accompanying financial statements of Waldorf School of San Diego, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets 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 Waldorf School of San Diego 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.

Other Matter

The financial statements of Waldorf School of San Diego for the year ended June 30, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on September 30, 2016.

Summarized Comparative Information

Another auditor previously audited Waldorf School of San Diego's June 30, 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated September 30, 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.

The Ozurovich Group, Inc.

The Ozurovich Group, Inc.

Digitally signed by The Ozurovich Group, Inc.
DN: cn=The Ozurovich Group, Inc., o=The Ozurovich Group, ou, email=mozurovich@togcpa.com, c=US
Date: 2017.10.23 10:54:43 -07'00'

Los Angeles, California
October 23, 2017

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 562,810	$ 155,894	$ 718,704	$ 543,639
Tuition receivable, net of allowance for doubtful accounts of $39,000 and $18,000, respectively	76,898	-	76,898	28,046
Contributions receivable - current (Notes 3 and 4)	-	36,186	36,186	44,926
Inventory	73,242	-	73,242	85,392
Prepaid expenses	1,636	-	1,636	235
Total current assets	714,586	192,080	906,666	702,238
Contributions receivable (Notes 3 and 4)	-	1,008	1,008	7,498
Property and equipment - net (Note 5)	5,278,704	-	5,278,704	5,289,000
	5,278,704	1,008	5,279,712	5,296,498
TOTAL ASSETS	$ 5,993,290	$ 193,088	$ 6,186,378	$ 5,998,736

Statement of financial position continued on the following page

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
LIABILITIES				
Current liabilities				
Accounts payable	$ 38,567	$ -	$ 38,567	$ 40,589
Accrued payroll	59,188	-	59,188	74,472
Other accrued liabilities (Note 6)	17,051	-	17,051	17,166
Current portion of long-term debt (Note 7)	120,849	-	120,849	116,171
Deferred revenue	479,866	-	479,866	443,740
Total current liabilities	715,521	-	715,521	692,138
Long-term liabilities				
Long-term debt - net (Note 7)	3,882,926	-	3,882,926	3,992,701
TOTAL LIABILITIES	4,598,447	-	4,598,447	4,684,839
NET ASSETS				
Unrestricted net assets	1,394,843	-	1,394,843	1,099,195
Temporarily restricted net assets (Note 8)	-	193,088	193,088	214,702
TOTAL NET ASSETS	1,394,843	193,088	1,587,931	1,313,897
TOTAL LIABILITIES AND NET ASSETS	$ 5,993,290	$ 193,088	$ 6,186,378	$ 5,998,736

See independent auditor's report and accompanying notes.

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Tuition, school fees, & extended care (net of discounts of $1,460,421 and $1,312,361, respectively)	$ 3,957,864	$ -	$ 3,957,864	$ 3,621,253
Field trip income	-	183,049	183,049	192,343
Rental income	35,988	-	35,988	52,760
Interest	203	-	203	203
Miscellaneous income	869	-	869	310
Merchandise and scrip sales	600,757	-	600,757	689,723
TOTAL REVENUES	4,595,681	183,049	4,778,730	4,556,592
SUPPORT				
Grants	-	100,570	100,570	112,095
Donations	177,712	16,387	194,099	142,869
Fundraising income	85,208	10,000	95,208	142,719
TOTAL SUPPORT	262,920	126,957	389,877	397,683
TOTAL REVENUE AND SUPPORT	4,858,601	310,006	5,168,607	4,954,275
Net assets released from restrictions (Note 8)	331,620	(331,620)	-	-
TOTAL REVENUE, SUPPORT, AND RECLASSIFICATIONS	5,190,221	(21,614)	5,168,607	4,954,275
EXPENSES				
Program services	3,933,490	-	3,933,490	3,745,322
Supporting services				
Management and general	812,101	-	812,101	789,280
Fundraising	148,982	-	148,982	163,113
Total supporting services	961,083	-	961,083	952,393
Total Expenses	4,894,573	-	4,894,573	4,697,715
CHANGE IN NET ASSETS	295,648	(21,614)	274,034	256,560
NET ASSETS, Beginning of year	1,099,195	214,702	1,313,897	1,057,337
NET ASSETS, End of year	$ 1,394,843	$ 193,088	$ 1,587,931	$ 1,313,897

See independent auditor's report and accompanying notes.

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

	2017					2016
	Program Services	Supporting Services				
	Educational Instruction	Management and General	Fund Raising	Sub-total	TOTAL	TOTAL
Salaries	$ 2,120,063	$ 389,062	$ 77,458	$ 466,520	$ 2,586,583	$ 2,458,631
Payroll taxes	159,954	29,354	5,844	35,198	195,152	208,453
Employee benefits	224,872	41,267	8,216	49,483	274,355	235,010
Total salaries and related expenses	2,504,889	459,683	91,518	551,201	3,056,090	2,902,094
Advertising expense	-	3,675	-	3,675	3,675	8,214
Auto	4,596	-	-	-	4,596	7,954
Bad debt expense	-	8,717	-	8,717	8,717	31,868
Board expenses	-	4,318	-	4,318	4,318	3,999
Charity and Outreach	-	1,596	-	1,596	1,596	1,805
Classroom supplies	127,418	-	-	-	127,418	101,098
Cost of goods sold	531,866	-	-	-	531,866	600,013
Depreciation	116,065	29,016	-	29,016	145,081	128,949
Equipment rental	10,663	2,666	-	2,666	13,329	13,152
Facilities expenses	174,530	58,177	-	58,177	232,707	154,139
Field trips and classroom expenses	216,194	-	-	-	216,194	194,910
Finance charges and merchant fees	-	11,507	-	11,507	11,507	12,924
Fundraising	-	-	12,447	12,447	12,447	29,342
Insurance	-	62,144	-	62,144	62,144	67,332
Interest	9,955	4,266	-	4,266	14,221	13,922
Membership dues	-	26,206	-	26,206	26,206	26,359
Miscellaneous	-	3,365	-	3,365	3,365	526
Mortgage interest	112,886	48,380	-	48,380	161,266	166,213
Office expenses	-	10,123	-	10,123	10,123	8,796
Professional development	36,679	-	-	-	36,679	30,537
Professional services	-	48,432	-	48,432	48,432	35,457
Property taxes	7,209	3,089	-	3,089	10,298	9,928
Repairs and maintenance	-	-	-	-	-	1,957
Security	8,906	-	-	-	8,906	11,803
Special events	-	-	45,017	45,017	45,017	46,068
Telephone and internet	-	14,911	-	14,911	14,911	17,347
Tuition Protection Plan	24,315	-	-	-	24,315	24,928
Utilities	47,319	11,830	-	11,830	59,149	46,081
TOTAL EXPENSES	$ 3,933,490	$ 812,101	$ 148,982	$ 961,083	$ 4,894,573	$ 4,697,715

See independent auditor's report and accompanying notes.

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 274,034	$ 256,560
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	145,081	128,949
Change in debt issuance costs for loans payable	14,221	13,922
(Increase) decrease in assets		
Tuition receivable	(48,852)	22,801
Contributions receivable	15,230	41,688
Inventory	12,150	(12,222)
Prepaid expenses	(1,401)	(235)
Increase (decrease) in liabilities		
Accounts payable	(2,022)	16,638
Accrued expenses	(15,399)	(7,289)
Deferred revenue	36,126	(66,329)
Net cash provided by operating activities	429,168	394,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(134,785)	(194,060)
Net cash (used) by investing activities	(134,785)	(194,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of debt issuance costs	(3,000)	-
Principal payments on long-term debt	(116,318)	(102,292)
Net cash (used) by financing activities	(119,318)	(102,292)
NET INCREASE IN CASH	175,065	98,131
CASH AND CASH EQUIVALENTS, beginning of year	543,639	445,508
CASH AND CASH EQUIVALENTS, end of year	$ 718,704	$ 543,639
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$ 161,266	$ 166,213

See independent auditor's report and accompanying notes.

NOTE 1 – ORGANIZATION

The Waldorf School of San Diego (the "School") began in 1981 with a small and enthusiastic group of individuals studying the educational philosophy of Rudolf Steiner. The school began to grow each year as the School expanded educational programs. The School is incorporated and operates as a not-for-profit School.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the School is presented to assist in understanding the School's financial statements. The financial statements and notes are representations of the School's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

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.

Estimates

The preparation of the financial statement 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.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> *Unrestricted Net Assets* – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the School.
>
> *Temporarily Restricted Net Assets* – Include gifts and grants received that are temporarily restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.
>
> *Permanently Restricted Net Assets* – Included assets that have been restricted by the donor in perpetuity while permitting the School to use or expend part or all of the income derived from the assets. The School has no permanently restricted net assets.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reported period in which the revenue is recognized. All other 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 and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the School's core activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements. The School recognized no in-kind donations as income during the years ended June 30, 2017 and 2016.

Tax Status

The School is a nonprofit benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and corresponding state provisions. However, the School is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The School's federal income tax and informational returns for tax years ending June 30, 2013 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the School's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending June 30, 2013 and subsequent.

The School has adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the School, these provisions could be applicable to the incurrence of any unrelated business income attributable to the School. Because of the School's general tax-exempt status, the provisions of ASC 740-10-05 are not anticipated to have a material impact on the School's financial statements.

Cash and Cash Equivalents

For the purposes of the financial statements, the School considers all debt instruments purchased with a maturity of three months or less to be cash equivalents. Commercial banks have FDIC coverage up to $250,000 per depositor per bank. As of June 30, 2017 and 2016 the uninsured amount was $488,171 and $325,646, respectively.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tuition Revenues and Receivables

Tuition revenues consist of all gross tuition revenue and other School related fees earned. The School recognizes unrestricted revenues from student tuition and fees totally within the fiscal year in which the academic term is predominantly conducted. Accordingly, registration and tuition fees received for the next school term are deferred until instruction commences. Tuition receivables are stated unpaid balances, less an allowance for doubtful accounts. The School provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of tuition payers to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the School's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Amounts deemed uncollectible for the years ended June 30, 2017 and 2016 were $217 and $19,899, respectively.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market value. Market value is determined by comparison with recent purchases or net realizable value. Inventory consists primarily of Scrip (store gift cards), books, craft supplies, and other household goods. Revenue from the sale of inventory is recognized when persuasive evidence of the arrangement exists, delivery and performance has occurred, the price is fixed and determinable, and collectivity is probable. Generally, these criteria are met at the time the sale has occurred. The School provides for estimated customer returns and allowances by reducing sales in the period that the sale occurs.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment amount that will be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Vacation and Sick Leave Benefits

Neither vacation pay nor sick pay accumulates or vests. Therefore, no accrual has been made as of June 30, 2017 and 2016.

Advertising

The School uses advertising to promote its school programs amount the communities it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2017 and 2016, advertising costs totaled $3,675 and $8,214, respectively.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing the program and the supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

Comparative Financial 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 financial statements for the year ended June 30, 2016, from where the summarized information was derived.

Reclassifications

Certain reclassifications were made to prior year amounts in order to conform to current year presentation. None of these reclassifications had an effect on the total change in net assets or total net assets balances.

New Accounting Standards

Measurement of Inventory – In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, "Simplifying the Measurement of Inventory" (ASU 2015-11), which resulted in the School valuing its inventory at its net realizable value. This approach lead did not lead to any recognition of losses resulting from recording the School's inventory at its net realizable value at June 30, 2017 and 2016. The School has adopted ASU 2015-11 in 2017, with prospective application as required by the guidance. These standards did not have a material impact on the statements of financial position, statements of activities and changes in net assets, and had no impact on cash flows provided by or used in operations for all periods presented in these financial statements.

(Note 2 continued on the following page)

WALDORF SCHOOL OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

Long-Term Debt and Debt Issuance Costs – In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), which resulted in the reclassification of debt issuance costs from "Deferred loan costs – net" to inclusion as a reduction of the "Long-term debt" balance on the statements of financial position. Since ASU 2015-03 does not address deferred issuance costs for line-of-credit arrangements, the FASB issued ASU No. 2015-15, "Interest – Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" (ASU 2015-15), in August 2015. ASU 2015-15 allows a company to defer debt issuance costs associated with line-of-credit arrangements, including arrangements with no outstanding borrowings, classify them as an asset, and amortize them over the term of the arrangements. The School has adopted ASU 2015-03 in fiscal year ended June 30, 2017, with full retrospective application as required by the guidance, and ASU 2015-15, which was effective immediately. These standards did not have a material impact on cash flows provided by or used in operations for all periods presented in these financial statements.

The following tables present the School's results under the historical method and as adjusted to reflect these accounting changes:

At June 30, 2017	Historical Accounting Method	Effect of Adoption of New ASU's	As Adjusted
Depreciation an amortization	$ 159,302	$ (14,221)	$ 145,081
Interest expense	$ -	$ 14,221	$ 14,221
Deferred loan costs – net	$ 21,222	$ (22,423)	$ -
Long-term debt	3,905,349	(22,423)	3,882,926
Total assets	6,206,887	(22,423)	6,186,378
Total long-term liabilities	3,905,349	(22,423)	3,882,926
Total liabilities	$ 4,619,247	$ (22,423)	$ 4,596,824

At June 30, 2016	Historical Accounting Method	Effect of Adoption of New ASU's	As Adjusted
Depreciation an amortization	$ 142,871	$ (13,922)	$ 128,949
Interest expense	$ -	$ 13,922	$ 13,922
Deferred loan costs – net	$ 33,644	$ (33,644)	$ -
Long-term debt	4,026,345	(33,644)	3,992,701
Total assets	6,032,380	(33,644)	5,998,736
Total long-term liabilities	4,026,345	(33,644)	3,992,701
Total liabilities	$ 4,718,483	$ (33,644)	$ 4,684,839

NOTE 3 – FAIR VALUE MEASUREMENTS

The School has adopted the provisions of ASC 820-10, for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines fair value as 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 assets that are recorded at fair value on a recurring basis are pledges receivable. The School has no financial liabilities or non-financial items that are recorded at fair value on a non-recurring basis.

ASC 820-10 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

- Level 1: fair values are based on quoted prices in active markets for identical assets and liabilities. The School has no Level 1 assets at June 30, 2017 and 2016.

- Level 2: fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The School has no Level 2 assets at June 30, 2017 and 2016.

- Level 3: fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The School's Level 3 assets consist of contributions receivable.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The following tables set forth by level, within the fair value hierarchy, the School's assets measured at fair value as of June 30:

Assets at Fair Value as of June 30, 2017

	Level 1	*Level 2*	*Level 3*	*Total*
Contributions receivable	$ -	$ -	$ 37,194	$ 37,194
	$ -	$ -	$ 37,194	$ 37,194

(Note 3 continued on the following page)

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Assets at Fair Value as of June 30, 2016

	Level 1	*Level 2*	*Level 3*	*Total*
Contributions receivable	$ -	$ -	$ 52,424	$ 52,424
	$ -	$ -	$ 52,424	$ 52,424

The following table sets forth a summary of changes in the fair value of the School's Level 3 assets for the year ended June 30:

	Contributions Receivable	
	2017	**2016**
Balance, beginning of year	$ 52,424	$ 94,112
New pledges	-	-
Payments received	(2,760)	(21,574)
Write-offs	(25,000)	(10,000)
Change in allowance for uncollectible pledges	12,500	(12,500)
Change in present value discount	30	2,386
Balance, end of year	$ 37,194	$ 52,424

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using the three-year U.S. Treasury note rate applicable in the year in which the promise was made. At June 30, 2017 and 2016 the allowance for uncollectible pledges was none and $12,500, respectively.

Included in contributions receivable at June 30, 2017 are the following unconditional promises to give:

Amounts due in	
Less than one year	$ 36,186
One to five years	2,010
Total promises to give	38,196
Less: allowance for uncollectible pledges	-
Less: unamortized discount	(1,002)
Net contributions receivable	$ 37,194

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased and at fair value at the date of donation, if donated. Repairs and maintenance are expensed as incurred and improvements of property and equipment items in excess of $500 are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets.

Property and equipment consisted of the following for the years ended June 30:

	Method	Estimated Useful Lives (Years)	2017	2016
Land improvements	Straight-line	10	$ 82,701	$ 24,929
Buildings and improvements	Straight-line	5 – 50	4,240,470	4,220,503
Equipment and furniture	Straight-line	5 – 20	250,485	224,322
Vehicles	Straight-line	5	45,393	45,393
			4,619,049	4,515,147
Less: accumulated depreciation			(980,088)	(835,006)
			3,638,961	3,680,141
Construction in progress			85,947	55,063
Land			1,553,796	1,553,796
			$ 5,278,704	$ 5,289,000

Depreciation expense for the years ended June 30, 2017 and 2016 was $145,081 and $128,949, respectively.

NOTE 6 – OTHER ACCRUED LIABILITIES

The School's accrued expense balance consists of the following categories at June 30:

	2017	2016
Interest	$ 14,138	$ 14,138
Other	2,913	3,028
Total	$ 17,051	$ 17,166

WALDORF SCHOOL OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT

Long-term debt consists of the following mortgage note outstanding as of June 30:

		2017		2016
In November 2013, the School entered into a 3.90% fixed rate term loan with an original principal amount of $4,400,000 payable in monthly installments of principal and interest of $23,132 with a bank. The loan has an amortization period of 25 years, and matures in November 2018. In December 2016, the School re-financed this loan with the same bank. The new agreement extended the maturity date of the loan to November 2023, but kept the same amortization period of 25 years from the original date of the loan. The interest rate will remain at 3.90% for the next five years and then will switch to a variable rate with a floor of 3.90% until maturity. The note is collateralized by the real property of the School. The School is also required to maintain certain financial covenants, which they were in compliance with as of June 30, 2017 and 2016. Finally, the School is required to maintain $135,000 on deposit at all times with the bank holding the note.	$	4,026,198	$	4,142,516
Less: Current portion of long-term debt		(120,849)		(116,171)
Long-term debt	$	3,905,349	$	4,026,345

Long-term debt is due as follows for the years ended June 30:

2018	$	120,849
2019		125,715
2020		129,914
2021		135,561
2022		141,033
Thereafter		3,373,126
	$	4,026,198

(Note 7 continued on the following page)

NOTE 7 – LONG-TERM DEBT (Continued)

In November 2013, the School simultaneously refinanced its mortgage loans with RSF bank and financed the purchase of real property by entering into one mortgage loan with First Bank (see above). In December 2016, the School re-financed this loan with First Bank. The costs of the re-finance were booked as deferred loan costs. Per ASU No. 2015-03, debt issuance fees for the above loan and subsequent re-finance, have been included in loan payable balance on the balance sheet and are being expensed as interest expense over the life of the loan.

	2017	2016
Total loan balance	$ 4,026,198	$ 4,142,516
Less: debt issuance costs	(22,423)	(33,644)
Net loan balance	$ 4,003,775	$ 4,108,872

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

During the years ended June 30, 2017 and 2016, $331,620 and $369,055, respectively, were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

Temporarily restricted net assets released from donor restrictions during the years ended June 30:

	2017	2016
Contributions receivable	$ 2,760	$ 41,688
Building fund	22,081	57,551
Classroom funds	150,633	131,598
Field trips fund	37,030	63,312
School programs	119,116	74,906
Total temporarily restricted net assets	$ 331,620	$ 369,055

Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Contributions receivable	$ 37,194	$ 52,424
Building fund	-	12,081
Classroom funds	28,434	37,420
Field trips fund	15,026	10,654
School programs	112,434	102,123
Total temporarily restricted net assets	$ 193,088	$ 214,702

NOTE 9 – RETIREMENT PLAN

The School has a retirement plan for employees formed under Section 403(b) of the Internal Revenue Code consisting of a tax-sheltered custodial account. Under the provisions of the Plan, employees may make voluntary contributions up to 100% of annual salary. Matching contributions of $35,828 and $33,393 were made by the School during the years ended June 30, 2017 and 2016, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2017 have been evaluated through October 23, 2017, the date at which the School's financial statements were available to be issued. No events requiring disclosures have occurred through this date.