WALDORF SCHOOL OF SAN DIEGO

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

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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, 2019, 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.

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 Waldorf School of San Diego as of June 30, 2019, 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.

Summarized Comparative Information

We previously audited Waldorf School of San Diego's June 30, 2018 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated January 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the June 30, 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

The Ozurovich Group, Inc.

The Ozurovich Group, Inc.

Digitally signed by The Ozurovich Group, Inc.
DN: cn=The Ozurovich Group, Inc., o, ou, email=mozurovich@togcpa.com, c=US
Date: 2019.11.26 11:32:00 -08'00'

Los Angeles, California
November 15, 2019

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019			2018
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 218,909	$ 145,378	$ 364,287	$ 772,260
Tuition receivable, net of allowance for doubtful accounts of $24,008 and $23,522, respectively	48,346	-	48,346	42,707
Contributions receivable - current (Note 3)	-	-	-	670
Inventory	106,756	-	106,756	64,608
Prepaid expenses	34,988	-	34,988	23,202
Total current assets	408,999	145,378	554,377	903,447
Contributions receivable (Note 3)	-	-	-	124
Property and equipment - net (Note 5)	5,230,674	-	5,230,674	5,207,350
	5,230,674	-	5,230,674	5,207,474
TOTAL ASSETS	$ 5,639,673	$ 145,378	$ 5,785,051	$ 6,110,921

Statement of financial position continued on the following page

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019			2018 (As restated)
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total	Total
LIABILITIES				
Current liabilities				
Accounts payable	$ 43,612	$ -	$ 43,612	$ 48,225
Accrued payroll (as restated)	93,912	-	93,912	90,452
Other accrued liabilities (Note 4)	16,914	-	16,914	16,967
Current portion of long-term debt (Note 6)	129,914	-	129,914	125,715
Deferred revenue	378,027	-	378,027	459,611
Total current liabilities	662,379	-	662,379	740,970
Long-term liabilities				
Line of credit (Note 5)	150	-	150	-
Long-term debt - net (Note 6)	3,636,480	-	3,636,480	3,760,153
Total long-term liabilities	3,636,630	-	3,636,630	3,760,153
TOTAL LIABILITIES	4,299,009	-	4,299,009	4,501,123
NET ASSETS				
Net assets without donor restrictions (as restated)	1,340,664	-	1,340,664	1,466,851
Net assets with donor restrictions (Note 8)	-	145,378	145,378	142,947
TOTAL NET ASSETS	1,340,664	145,378	1,486,042	1,609,798
TOTAL LIABILITIES AND NET ASSETS	$ 5,639,673	$ 145,378	$ 5,785,051	$ 6,110,921

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, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019			2018 (As restated)
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total	Total
REVENUES				
Tuition, school fees, & extended care (net of discounts of $1,474,532 and $1,263,379, respectively)	$ 3,927,233	$ -	$ 3,927,233	$ 3,978,543
Field trip income	-	157,866	157,866	165,612
Merchandise and scrip sales	463,675	-	463,675	537,027
Total Revenues	4,390,908	157,866	4,548,774	4,681,182
SUPPORT				
Grants	4,844	35,750	40,594	91,923
Donations	234,327	104,485	338,812	258,215
Fundraising income	170,657	-	170,657	130,352
Total Support	409,828	140,235	550,063	480,490
Total Revenue and Support	4,800,736	298,101	5,098,837	5,161,672
NET ASSETS RELEASED FROM RESTRICTIONS (NOTE 9)				
Expiration of time restrictions	910	(910)	-	-
Satisfaction of program restrictions	294,760	(294,760)	-	-
Total net assets released from restrictions	295,670	(295,670)	-	-
TOTAL REVENUE, SUPPORT, AND RECLASSIFICATIONS	5,096,406	2,431	5,098,837	5,161,672
OPERATING EXPENSES				
Program services - Educational instruction (as restated)	3,945,105	-	3,945,105	4,006,753
Supporting services				
Management and general (as restated)	929,121	-	929,121	1,001,926
Fundraising (as restated)	386,529	-	386,529	167,583
Total supporting services	1,315,650	-	1,315,650	1,169,509
TOTAL OPERATING EXPENSES	5,260,755	-	5,260,755	5,176,262
OTHER INCOME/(EXPENSES)				
Rental income	37,403	-	37,403	35,970
Interest income	501	-	501	268
Miscellaneous income	258	-	258	219
TOTAL OTHER INCOME/(EXPENSES)	38,162	-	38,162	36,457
CHANGE IN NET ASSETS	(126,187)	2,431	(123,756)	21,867
NET ASSETS, Beginning of year	1,466,851	142,947	1,609,798	1,587,931
NET ASSETS, End of year	$ 1,340,664	$ 145,378	$ 1,486,042	$ 1,609,798

See independent auditor's report and accompanying notes.

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019					2018 (As restated)
	Program Services	Supporting Services				
	Educational Instruction	Management and General	Fund Raising	Sub-total	TOTAL	TOTAL
Salaries	$ 2,379,999	$ 476,323	$ 24,668	$ 500,991	$ 2,880,990	$ 2,769,536
Payroll taxes (as restated)	202,480	40,523	2,099	42,622	245,102	258,887
Employee benefits	289,807	58,001	3,004	61,005	350,812	308,238
Total salaries and related expenses	2,872,286	574,847	29,771	604,618	3,476,904	3,336,661
Advertising expense	-	9,134	-	9,134	9,134	10,780
Auto	8,234	-	-	-	8,234	8,257
Bad debt expense	-	2,308	-	2,308	2,308	13,909
Board expenses	-	-	-	-	-	8,503
Charity and Outreach	-	3,260	-	3,260	3,260	8,555
Classroom supplies	119,305	-	-	-	119,305	122,414
Cost of goods sold	54,078	-	288,282	288,282	342,360	439,121
Depreciation	120,135	30,034	-	30,034	150,169	154,457
Equipment rental	11,586	2,897	-	2,897	14,483	12,594
Facilities expenses	133,587	44,529	-	44,529	178,116	237,080
Field trips and classroom expenses	177,287	-	-	-	177,287	177,614
Finance charges and merchant fees	-	13,900	-	13,900	13,900	16,609
Fundraising	-	-	6,852	6,852	6,852	44,507
Insurance	-	65,526	-	65,526	65,526	75,836
Interest	4,481	1,920	-	1,920	6,401	14,522
Membership dues	-	33,071	-	33,071	33,071	30,502
Miscellaneous	-	(371)	-	(371)	(371)	5,008
Mortgage interest	106,197	45,513	-	45,513	151,710	155,237
Office expenses	-	9,079	-	9,079	9,079	9,137
Professional development	46,658	-	-	-	46,658	36,178
Professional services	-	52,788	-	52,788	52,788	91,134
Property taxes	9,302	3,986	-	3,986	13,288	10,539
Taxes and licenses	-	1,846	-	1,846	1,846	1,520
Security	8,306	-	-	-	8,306	5,932
Special events	-	-	50,598	50,598	50,598	40,301
Telephone and internet	-	19,654	-	19,654	19,654	22,277
Tuition Protection Plan	212,865	-	-	-	212,865	23,942
Utilities	60,798	15,200	-	15,200	75,998	61,784
Total expenses before donated goods and services	3,945,105	929,121	375,503	1,304,624	5,249,729	5,174,910
Donated goods and services	-	-	11,026	11,026	11,026	1,352
TOTAL EXPENSES	$ 3,945,105	$ 929,121	$ 386,529	$ 1,315,650	$ 5,260,755	$ 5,176,262

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (123,756)	$ 21,867
Adjustments to reconcile change in net assets to net cash (used)/provided by operating activities		
Depreciation and amortization	150,169	154,457
Change in debt issuance costs for loans payable	6,401	14,522
Donated stock	(206,172)	(15,870)
(Increase) decrease in assets		
Tuition receivable	(5,639)	34,191
Contributions receivable	794	36,400
Inventory	(42,148)	8,634
Prepaid expenses	(11,786)	(6,462)
Increase (decrease) in liabilities		
Accounts payable	(4,613)	9,659
Accrued expenses	3,407	16,075
Deferred revenue	(81,584)	(20,255)
Net cash (used)/provided by operating activities	(314,927)	253,218
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of donated stock	206,172	15,870
Capital expenditures	(173,493)	(83,103)
Net cash provided/(used) by investing activities	32,679	(67,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	150	-
Principal payments on long-term debt	(125,875)	(132,429)
Net cash (used) by financing activities	(125,725)	(132,429)
NET (DECREASE)/INCREASE IN CASH	(407,973)	53,556
CASH AND CASH EQUIVALENTS, beginning of year	772,260	718,704
CASH AND CASH EQUIVALENTS, end of year	$ 364,287	$ 772,260
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$ 158,111	$ 169,759

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

> *Net Assets Without Donor Restrictions* – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.
>
> *Net Assets With Donor Restrictions* – Include gifts and grants received that are 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 net assets without donor restrictions. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

(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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities 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. Only those amounts that meet the criteria above are recorded in the accompanying financial statements. During the years ended June 30, 2019 and 2018 the Organization received donated goods and services in the amounts of $11,026 and $1,352, respectively. The contributions were recorded at their fair market value at the date of donation. Equal amounts were also recorded as donated goods and services expense. Also, a substantial number of volunteers have donated significant amounts of their time and services in the School's core activities.

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, 2015 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, 2015 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.

Vacation and Sick Leave Benefits

Neither vacation pay nor sick pay accumulates or vests. Therefore, no accrual has been made as of June 30, 2019 and 2018.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018 the uninsured amount was $185,075 and $536,189, respectively.

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, 2019 and 2018 were $24,008 and $23,522, respectively.

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, 2019 and 2018 the allowance for uncollectible pledges was none.

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.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2019 and 2018, advertising costs totaled $9,134 and $10,780, respectively.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort for the School's personnel. The following expenses are allocated using the estimated square footage of facilities used for program and supporting functions: depreciation, mortgage interest, facilities expenses and property taxes.

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 asset balances.

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, 2018, from where the summarized information was derived.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards

Leases – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Presentation of Financial Statements of Not-for-Profit Entities – In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Church has adopted ASU 2016-14 in these financial statements on a retrospective basis.

Guidance for Contributions Received and Made – In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made. This update requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the update requires recipient organizations to determine whether a contribution is conditional based on if the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider's obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome.

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, 2019 and 2018.

- 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, 2019 and 2018.

- 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.

(Note 3 continued on the following page)

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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, 2018

	Level 1	*Level 2*	*Level 3*	*Total*
Contributions receivable	$ -	$ -	$ 794	$ 794
	$ -	$ -	$ 794	$ 794

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	
	2019	**2018**
Balance, beginning of year	$ 794	$ 37,194
New pledges	-	-
Payments received	(910)	(30,826)
Write-offs	-	(6,460)
Change in allowance for uncollectible pledges	-	-
Change in present value discount	116	886
Balance, end of year	$ -	$ 794

NOTE 4 – OTHER ACCRUED LIABILITIES

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

	2019	**2018**
Interest	$ 14,138	$ 14,138
Other	2,776	2,829
Total	$ 16,914	$ 16,967

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)	2019	2018
Land improvements	Straight-line	10	$ 105,653	$ 105,653
Buildings and improvements	Straight-line	5 – 50	4,473,467	4,254,643
Equipment and furniture	Straight-line	5 – 20	311,698	260,240
Vehicles	Straight-line	5	70,774	45,393
			4,961,592	4,665,929
Less: accumulated depreciation			(1,284,714)	(1,134,545)
			3,676,878	3,531,384
Construction in progress			-	122,170
Land			1,553,796	1,553,796
			$ 5,230,674	$ 5,207,350

Depreciation expense for the years ended June 30, 2019 and 2018 was $150,169 and $154,457, respectively.

WALDORF SCHOOL OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

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

		2019		2018
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 it did not as of June 30, 2019. As of the date of this report, the School is in negotiations to obtain a temporary waiver of the breached financial covenant. Finally, the School is required to maintain $135,000 on deposit at all times with the bank holding the note.	$	3,767,894	$	3,893,769
Less: Current portion of long-term debt		(129,914)		(125,715)
Long-term debt	$	3,637,980	$	3,768,054

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

2020	$	129,914
2021		135,561
2022		141,033
2023		146,726
Thereafter		3,214,660
	$	3,767,894

(Note 6 continued on the following page)

NOTE 6 – 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.

	2019	2018
Total loan balance	$ 3,767,894	$ 3,893,769
Less: debt issuance costs	(1,500)	(7,901)
Net loan balance	$ 3,766,394	$ 3,885,868

NOTE 7 – LINES OF CREDIT

On November 18, 2013 the Company entered into a revolving line of credit with First Bank. The terms are as follows. The maximum amount on the line available to be borrowed is $100,000. Interest is due and payable on a monthly basis and is the greater of the Prime Rate (5.50% at June 30, 2019) plus 25 basis points. The original maturity date of the line of credit was November 18, 2017 upon which all unpaid interest and the outstanding balance is due and payable in full. The loan is secured by the real property of the School. In December 2016, the agreement has been subsequently renewed by extending the maturity date to November 12, 2013. The balance on the First Bank line of credit at June 30, 2019 and 2018 was none.

The Company also has entered into a revolving line of credit with Wells Fargo. The terms are as follows. The maximum amount on the line available to be borrowed is $150,000. Interest is due and payable on a monthly basis and is the greater of the Prime Rate (5.50% at June 30, 2019) plus 250 basis points. The maturity date of is open ended, but the debt is callable by the lender within 30 days upon which all unpaid interest and the outstanding balance is due and payable in full. The balance on the Wells Fargo line of credit at June 30, 2019 and 2018 was $150 and none, respectively.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2019	2018
Subject to expenditure for a specified purpose:		
Classroom funds	$ 26,415	$ 34,628
Field trips fund	22,995	16,101
School programs	95,968	91,424
	145,378	142,153
Time restrictions:		
Expiration of time restrictions:	-	794
	$ 145,378	$ 142,947

NOTE 9 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions during the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Expenditure for a specified purpose:		
Classroom funds	$ 101,172	$ 109,954
Field trips fund	58,013	48,389
School programs	135,575	182,236
	294,760	340,579
Expiration of time restrictions:	910	30,826
	$ 295,670	$ 371,405

NOTE 10 – 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 $59,403 and $49,182 were made by the School during the years ended June 30, 2019 and 2018, respectively.

WALDORF SCHOOL OF SAN DIEGO
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects The Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in board designated funds that could be drawn upon if the governing board approves that action.

The Organization's financial assets available within one year of June 30, 2019 for general expenditure are as follows:

Financial assets, at year end		
Cash and cash equivalents	$	364,287
Accounts receivable – net		48,346
Available funds on revolving lines of credit		249,850
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions		(145,378)
Total	$	517,105

The Organization's financial assets available within one year of June 30, 2018 for general expenditure are as follows:

Financial assets, at year end		
Cash and cash equivalents	$	772,260
Accounts receivable – net		42,707
Available funds on revolving lines of credit		250,000
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions		(142,153)
Restricted by donor with time restrictions		(794)
Total	$	922,020

As part of The Organization's liquidity management practices, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

As of June 30, 2018, payroll tax expense and accrued payroll have been restated from the amounts previously reported. $48,994 in payroll taxes were not properly expensed and instead booked against accrued payroll liabilities during the fiscal year ended June 30, 2018. The effect of this restatement is as follows:

Account	As Previously Reported	As Restated
Accrued payroll	$ 41,458	$ 90,452
Total current liabilities	$ 691,976	$ 740,970
Total liabilities	$ 4,452,129	$ 4,501,123
Net assets without donor restrictions	$ 1,515,845	$ 1,466,851
Total net assets	$ 1,658,792	$ 1,609,798
Total liabilities and net assets	$ 6,061,927	$ 6,110,921
Payroll taxes	$ 209,893	$ 258,887
Program expenses – educational instruction	$ 3,967,016	$ 4,006,753
Management and general expenses	$ 993,865	$ 1,001,926
Fundraising expenses	$ 166,387	$ 167,583
Total supporting services	$ 1,160,252	$ 1,169,509
Total expenses	$ 5,127,268	$ 5,176,262
Change in net assets	$ 70,861	$ 21,867

NOTE 13 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, three immediate relatives of the School's Board of Directors were employed by the School and received wages and benefits totaling $121,313 and $122,351, respectively.

Additionally, another immediate relative of the School's Board of Director's provided education services totaling $150 and $2,756 during the years ended June 30, 2019 and 2018, respectively.

Furthermore, a member of the School's Board of Director's paid the School $1,200 in rent for use of an office at the School during the years ended June 30, 2019 and 2018.

Finally, during the years ended June 30, 2019 and 2018, an immediate relative of the School's Administrative Chair provided marketing services totaling $1,979 and $2,087 during the years ended June 30, 2019 and 2018, respectively. This same individual paid the School $1,676 and $1,500 in rent for use of an office at the School during the years ended June 30, 2019 and 2018, respectively. The School collects a percentage of consigned inventory sales from this individual and those amounts were $503 and $510 during the years ended June 30, 2019 and 2018, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2019 have been evaluated through November 15, 2019, the date at which the School's financial statements were available to be issued. No events requiring disclosures have occurred through this date.