

**WALDORF SCHOOL OF SAN DIEGO**  
**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

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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, 2016, 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, 2016, 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, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on September 16, 2015.

***Summarized Comparative Information***

Another auditor previously audited Waldorf School of San Diego's June 30, 2015 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated September 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*The Ozurovich Group, Inc.*

Los Angeles, California  
September 30, 2016

**WALDORF SCHOOL OF SAN DIEGO**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 381,361	\$ 162,278	\$ 543,639	\$ 445,508
Tuition receivable, net of allowance for doubtful accounts of \$18,000 and \$28,531, respectively	28,046	-	28,046	50,847
Contributions receivable - current	-	44,926	44,926	40,300
Inventory	85,392	-	85,392	73,170
Prepaid expenses	235	-	235	-
<b>Total current assets</b>	<u>495,034</u>	<u>207,204</u>	<u>702,238</u>	<u>609,825</u>
Contributions receivable	-	7,498	7,498	53,812
Property and equipment - net	5,289,000	-	5,289,000	5,223,889
Deferred loan costs - net	33,644	-	33,644	47,566
	<u>5,322,644</u>	<u>7,498</u>	<u>5,330,142</u>	<u>5,325,267</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,817,678</u>	<u>\$ 214,702</u>	<u>\$ 6,032,380</u>	<u>\$ 5,935,092</u>

*Statement of financial position continued on the following page*

**WALDORF SCHOOL OF SAN DIEGO**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2016**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 40,589	\$ -	\$ 40,589	\$ 23,951
Accrued payroll	74,472	-	74,472	81,781
Other accrued liabilities	17,166	-	17,166	17,146
Current portion of long-term debt	116,171	-	116,171	111,235
Deferred revenue	443,740	-	443,740	510,069
<b>Total current liabilities</b>	<b>692,138</b>	<b>-</b>	<b>692,138</b>	<b>744,182</b>
<b>Long-term liabilities</b>				
Long-term debt	4,026,345	-	4,026,345	4,133,573
<b>TOTAL LIABILITIES</b>	<b>4,718,483</b>	<b>-</b>	<b>4,718,483</b>	<b>4,877,755</b>
<b>NET ASSETS</b>				
Unrestricted net assets	1,099,195	-	1,099,195	840,349
Temporarily restricted net assets	-	214,702	214,702	216,988
<b>TOTAL NET ASSETS</b>	<b>1,099,195</b>	<b>214,702</b>	<b>1,313,897</b>	<b>1,057,337</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,817,678</b>	<b>\$ 214,702</b>	<b>\$ 6,032,380</b>	<b>\$ 5,935,092</b>

*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, 2016**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	<b>2016</b>			<b>2015</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>REVENUES</b>				
Tuition, school fees, & extended care (net of discounts of \$1,312,361 and \$1,629,352, respectively)	\$ 3,621,253	\$ -	\$ 3,621,253	\$ 3,280,455
Field trip income	-	192,343	192,343	197,916
Rental income	52,760	-	52,760	49,894
Interest	203	-	203	72
Miscellaneous income	310	-	310	1,092
Merchandise and scrip sales	689,723	-	689,723	739,294
<b>TOTAL REVENUES</b>	<b>4,364,249</b>	<b>192,343</b>	<b>4,556,592</b>	<b>4,268,723</b>
<b>SUPPORT</b>				
Grants	-	112,095	112,095	157,366
Donations	103,469	39,400	142,869	98,319
Fundraising income	119,788	22,931	142,719	192,424
<b>TOTAL SUPPORT</b>	<b>223,257</b>	<b>174,426</b>	<b>397,683</b>	<b>448,109</b>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>4,587,506</b>	<b>366,769</b>	<b>4,954,275</b>	<b>4,716,832</b>
Net assets released from restrictions	369,055	(369,055)	-	-
<b>TOTAL REVENUE, SUPPORT, AND RECLASSIFICATIONS</b>	<b>4,956,561</b>	<b>(2,286)</b>	<b>4,954,275</b>	<b>4,716,832</b>
<b>EXPENSES</b>				
Program services	3,745,322	-	3,745,322	3,707,930
Supporting services				
Management and general	789,280	-	789,280	761,651
Fundraising	163,113	-	163,113	148,467
Total supporting services	952,393	-	952,393	910,118
<b>Total Expenses</b>	<b>4,697,715</b>	<b>-</b>	<b>4,697,715</b>	<b>4,618,048</b>
<b>CHANGE IN NET ASSETS</b>	<b>258,846</b>	<b>(2,286)</b>	<b>256,560</b>	<b>98,784</b>
<b>NET ASSETS, Beginning of year</b>	<b>840,349</b>	<b>216,988</b>	<b>1,057,337</b>	<b>958,553</b>
<b>NET ASSETS, End of year</b>	<b>\$ 1,099,195</b>	<b>\$ 214,702</b>	<b>\$ 1,313,897</b>	<b>\$ 1,057,337</b>

*See independent auditor's report and accompanying notes.*

**WALDORF SCHOOL OF SAN DIEGO**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	<b>2016</b>				<b>2015</b>	
	<b>Program Services</b>	<b>Supporting Services</b>			<b>TOTAL</b>	<b>TOTAL</b>
	<b>Educational Instruction</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Sub-total</b>		
Salaries	\$ 2,010,804	\$ 373,526	\$ 74,301	\$ 447,827	\$ 2,458,631	\$ 2,289,345
Payroll taxes	170,484	31,669	6,300	37,969	208,453	207,569
Employee benefits	192,204	35,704	7,102	42,806	235,010	237,274
Total salaries and related expenses	<u>2,373,492</u>	<u>440,899</u>	<u>87,703</u>	<u>528,602</u>	<u>2,902,094</u>	<u>2,734,188</u>
Advertising expense	-	8,214	-	8,214	8,214	27,228
Amortization	11,138	2,784	-	2,784	13,922	13,183
Auto	7,954	-	-	-	7,954	12,163
Bad debt expense	-	31,868	-	31,868	31,868	44,100
Board expenses	-	3,999	-	3,999	3,999	3,770
Charity and Outreach	-	1,805	-	1,805	1,805	4,115
Classroom supplies	101,098	-	-	-	101,098	121,118
Cost of goods sold	600,013	-	-	-	600,013	641,410
Depreciation	103,159	25,790	-	25,790	128,949	120,538
Equipment rental	10,522	2,630	-	2,630	13,152	10,039
Facilities expenses	115,604	38,535	-	38,535	154,139	137,421
Field trips and classroom expenses	194,910	-	-	-	194,910	238,791
Finance charges and merchant fees	-	12,924	-	12,924	12,924	12,918
Fundraising	-	-	29,342	29,342	29,342	13,847
Insurance	-	67,332	-	67,332	67,332	63,980
Membership dues	-	26,359	-	26,359	26,359	26,503
Miscellaneous	-	526	-	526	526	1,119
Mortgage interest	116,349	49,864	-	49,864	166,213	170,086
Office expenses	-	8,796	-	8,796	8,796	10,614
Professional development	30,537	-	-	-	30,537	31,067
Professional services	-	35,457	-	35,457	35,457	36,123
Property taxes	6,950	2,978	-	2,978	9,928	7,397
Repairs and maintenance	-	1,957	-	1,957	1,957	4,263
Security	11,803	-	-	-	11,803	14,597
Special events	-	-	46,068	46,068	46,068	32,041
Telephone and internet	-	17,347	-	17,347	17,347	15,574
Tuition Protection Plan	24,928	-	-	-	24,928	16,299
Utilities	36,865	9,216	-	9,216	46,081	53,556
<b>TOTAL EXPENSES</b>	<u>\$ 3,745,322</u>	<u>\$ 789,280</u>	<u>\$ 163,113</u>	<u>\$ 952,393</u>	<u>\$ 4,697,715</u>	<u>\$ 4,618,048</u>

*See independent auditor's report and accompanying notes.*



**WALDORF SCHOOL OF SAN DIEGO  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 256,560	\$ 98,784
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	71,009	69,855
(Increase) decrease in assets		
Tuition receivable	22,801	(7,890)
Contributions receivable	41,688	(94,112)
Inventory	(12,222)	1,662
Prepaid expenses	(235)	293
Increase (decrease) in liabilities		
Accounts payable	16,638	(15,213)
Accrued expenses	(7,289)	3,083
Deferred revenue	(66,329)	235,526
Net cash provided by operating activities	322,621	291,988
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(194,060)	(127,928)
Net cash (used) by investing activities	(194,060)	(127,928)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(102,292)	(107,498)
Net cash (used) by financing activities	(102,292)	(107,498)
<b>NET INCREASE IN CASH</b>	26,269	56,562
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	381,642	325,080
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 407,911	\$ 381,642
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Interest paid	\$ 13,922	\$ 170,086

*See independent auditor's report and accompanying notes.*

**WALDORF SCHOOL OF SAN DIEGO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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 General 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)*

**WALDORF SCHOOL OF SAN DIEGO  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2016 and 2015.

**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, 2014 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.

*(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)**

**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, 2016 and 2015 the uninsured amount was \$271,774 and \$197,157, 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, 2016 and 2015 were \$19,899 and \$44,100, 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.

*(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)**

**Vacation and Sick Leave Benefits**

Neither vacation pay nor sick pay accumulates or vests. Therefore, no accrual has been made as of June 30, 2016 and 2015.

**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, 2016 and 2015, advertising costs totaled \$8,214 and \$27,228, respectively.

**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, 2015, 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.

**WALDORF SCHOOL OF SAN DIEGO  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2016 and 2015.
- 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, 2016 and 2015.
- 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)*

**WALDORF SCHOOL OF SAN DIEGO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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:

<i><b>Assets at Fair Value as of June 30, 2016</b></i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Contributions receivable	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>      52,424</u>	\$ <u>      52,424</u>
	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>      52,424</u>	\$ <u>      52,424</u>

<i><b>Assets at Fair Value as of June 30, 2015</b></i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Contributions receivable	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>      94,112</u>	\$ <u>      94,112</u>
	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>      94,112</u>	\$ <u>      94,112</u>

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:

	<i><b>Contributions Receivable</b></i>	
	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 94,112	\$ -
New pledges	-	214,020
Payments received	(21,574)	(115,850)
Write-offs	(10,000)	(1,140)
Change in allowance for uncollectible pledges	(12,500)	-
Change in present value discount	2,386	(2,918)
Balance, end of year	<u>\$ 52,424</u>	<u>\$ 94,112</u>

**WALDORF SCHOOL OF SAN DIEGO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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, 2016 and 2015 the allowance for uncollectible pledges was \$12,500 and none, respectively.

Included in contributions receivable at June 30, 2016 are the following unconditional promises to give:

Amounts due in		
Less than one year	\$	44,926
One to five years		<u>21,030</u>
 Total promises to give		 65,956
 Less: allowance for uncollectible pledges		 (12,500)
Less: unamortized discount		<u>(1,032)</u>
 Net contributions receivable	 \$	 <u><u>52,424</u></u>

**NOTE 5 – OTHER ACCRUED LIABILITIES**

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

	<u>2016</u>	<u>2015</u>
Interest	\$ 14,138	\$ 14,138
Other	<u>3,028</u>	<u>3,008</u>
Total	<u>\$ 17,166</u>	<u>\$ 17,146</u>



**WALDORF SCHOOL OF SAN DIEGO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 - 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:

	<b>Method</b>	<b>Estimated Useful Lives (Years)</b>	<b>2016</b>	<b>2015</b>
Land improvements	Straight-line	10	\$ 24,929	\$ 24,929
Buildings and improvements	Straight-line	5 - 50	4,220,503	4,141,884
Equipment and furniture	Straight-line	5 - 20	224,322	178,527
Vehicles	Straight-line	5	45,393	-
			<u>4,515,147</u>	<u>4,345,340</u>
Less: accumulated depreciation			<u>(835,006)</u>	<u>(706,057)</u>
			3,680,141	3,639,283
Construction in progress			55,063	30,810
Land			1,553,796	1,553,796
			<u>\$ 5,289,000</u>	<u>\$ 5,223,889</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$128,949 and \$120,538, respectively.

**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:

	<b>2016</b>	<b>2015</b>
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. The note is collateralized by the real property of the School.	\$ 4,142,516	\$ 4,244,808
Less: Current portion of long-term debt	(116,171)	(111,235)
Long-term debt	\$ 4,026,345	\$ 4,133,573

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

2017		\$ 116,171
2018		120,849
2019		3,905,496
<b>Total</b>		<b>\$ 4,142,516</b>

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). Costs relating to obtaining the mortgage loan are capitalized and amortized over the term of the related mortgage loan using the straight-line method.

	<b>2016</b>	<b>2015</b>
Deferred loan costs	\$ 69,608	\$ 69,608
Less: accumulated amortization	(35,964)	(22,042)
	\$ 33,644	\$ 47,566

Amortization expense for the years ended June 30, 2016 and 2015 was \$13,922 and \$13,183, respectively.

**WALDORF SCHOOL OF SAN DIEGO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

During the years ended June 30, 2016 and 2015, \$369,055 and \$472,389, 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:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 41,688	\$ 115,850
Building fund	57,551	51,019
Classroom funds	131,598	169,949
Field trips fund	63,312	68,842
School programs	74,906	66,729
Total temporarily restricted net assets	<u>\$ 369,055</u>	<u>\$ 472,389</u>

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

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 52,424	\$ 94,112
Building fund	12,081	46,701
Classroom funds	37,420	40,944
Field trips fund	10,654	9,697
School programs	102,123	25,534
Total temporarily restricted net assets	<u>\$ 214,702</u>	<u>\$ 216,988</u>

**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 \$33,393 and \$55,410 were made by the School during the years ended June 30, 2016 and 2015, respectively.

**NOTE 10 - SUBSEQUENT EVENTS**

Events subsequent to June 30, 2016 have been evaluated through September 30, 2016, the date at which the School's financial statements were available to be issued. No events requiring disclosures have occurred through this date.