WALDORF SCHOOL OF SAN DIEGO

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

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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, 2018, 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, 2018, 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, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on September 30, 2016.

Summarized Comparative Information

We previously audited Waldorf School of San Diego's June 30, 2017 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated October 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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, ou, email=mozurovich@togcpa.com, c=US
Date: 2019.01.30 09:40:19 -08'00'

Los Angeles, California
January 28, 2019

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 630,107	$ 142,153	$ 772,260	$ 718,704
Tuition receivable, net of allowance for doubtful accounts of $23,522 and $39,000, respectively	42,707	-	42,707	76,898
Contributions receivable - current (Notes 3 and 4)	-	670	670	36,186
Inventory	64,608	-	64,608	73,242
Prepaid expenses	8,098	-	8,098	1,636
Total current assets	745,520	142,823	888,343	906,666
Contributions receivable (Notes 3 and 4)	-	124	124	1,008
Property and equipment - net (Note 6)	5,207,350	-	5,207,350	5,278,704
	5,207,350	124	5,207,474	5,279,712
TOTAL ASSETS	$ 5,952,870	$ 142,947	$ 6,095,817	$ 6,186,378

Statement of financial position continued on the following page

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
LIABILITIES				
Current liabilities				
Accounts payable	$ 48,226	$ -	$ 48,226	$ 38,567
Accrued payroll	26,353	-	26,353	59,188
Other accrued liabilities (Note 5)	16,967	-	16,967	17,051
Current portion of long-term debt (Note 7)	125,715	-	125,715	120,849
Deferred revenue	459,611	-	459,611	479,866
Total current liabilities	676,872	-	676,872	715,521
Long-term liabilities				
Long-term debt - net (Note 7)	3,760,153	-	3,760,153	3,882,926
TOTAL LIABILITIES	4,437,025	-	4,437,025	4,598,447
NET ASSETS				
Unrestricted net assets	1,515,845	-	1,515,845	1,394,843
Temporarily restricted net assets (Note 8)	-	142,947	142,947	193,088
TOTAL NET ASSETS	1,515,845	142,947	1,658,792	1,587,931
TOTAL LIABILITIES AND NET ASSETS	$ 5,952,870	$ 142,947	$ 6,095,817	$ 6,186,378

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, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES				
Tuition, school fees, & extended care (net of discounts of $1,460,421 and $1,312,361, respectively)	$ 3,978,543	$ -	$ 3,978,543	$ 3,957,864
Field trip income	-	165,612	165,612	183,049
Rental income	35,970	-	35,970	35,988
Interest	268	-	268	203
Miscellaneous income	219	-	219	869
Merchandise and scrip sales	537,027	-	537,027	600,757
TOTAL REVENUES	4,552,027	165,612	4,717,639	4,778,730
SUPPORT				
Grants	-	91,923	91,923	100,570
Donations	194,486	63,729	258,215	194,099
Fundraising income	130,352	-	130,352	95,208
TOTAL SUPPORT	324,838	155,652	480,490	389,877
TOTAL REVENUE AND SUPPORT	4,876,865	321,264	5,198,129	5,168,607
Net assets released from restrictions (Note 8)	371,405	(371,405)	-	-
TOTAL REVENUE, SUPPORT, AND RECLASSIFICATIONS	5,248,270	(50,141)	5,198,129	5,168,607
EXPENSES				
Program services	3,967,016	-	3,967,016	3,933,490
Supporting services				
Management and general	993,865	-	993,865	812,101
Fundraising	166,387	-	166,387	148,982
Total supporting services	1,160,252	-	1,160,252	961,083
Total Expenses	5,127,268	-	5,127,268	4,894,573
CHANGE IN NET ASSETS	121,002	(50,141)	70,861	274,034
NET ASSETS, Beginning of year	1,394,843	193,088	1,587,931	1,313,897
NET ASSETS, End of year	$ 1,515,845	$ 142,947	$ 1,658,792	$ 1,587,931

See independent auditor's report and accompanying notes.

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018					2017
	Program Services	Supporting Services				
	Educational Instruction	Management and General	Fund Raising	Sub-total	TOTAL	TOTAL
Salaries	$ 2,246,241	$ 455,712	$ 67,583	$ 523,295	$ 2,769,536	$ 2,586,583
Payroll taxes	170,234	34,537	5,122	39,659	209,893	195,152
Employee benefits	249,997	50,719	7,522	58,241	308,238	274,355
Total salaries and related expenses	2,666,472	540,968	80,227	621,195	3,287,667	3,056,090
Advertising expense	-	10,780	-	10,780	10,780	3,675
Auto	8,257	-	-	-	8,257	4,596
Bad debt expense	-	13,909	-	13,909	13,909	8,717
Board expenses	-	8,503	-	8,503	8,503	4,318
Charity and Outreach	-	8,555	-	8,555	8,555	1,596
Classroom supplies	122,414	-	-	-	122,414	127,847
Cost of goods sold	439,121	-	-	-	439,121	531,866
Depreciation	123,566	30,891	-	30,891	154,457	145,081
Equipment rental	10,075	2,519	-	2,519	12,594	13,329
Facilities expenses	177,810	59,270	-	59,270	237,080	232,706
Field trips and classroom expenses	177,614	-	-	-	177,614	216,194
Finance charges and merchant fees	-	16,609	-	16,609	16,609	11,507
Fundraising	-	-	44,507	44,507	44,507	12,447
Insurance	-	75,836	-	75,836	75,836	62,144
Interest	10,165	4,357	-	4,357	14,522	14,221
Membership dues	-	30,502	-	30,502	30,502	26,206
Miscellaneous	-	5,008	-	5,008	5,008	1,860
Mortgage interest	108,666	46,571	-	46,571	155,237	161,266
Office expenses	-	9,137	-	9,137	9,137	10,123
Professional development	36,178	-	-	-	36,178	36,679
Professional services	-	91,134	-	91,134	91,134	48,081
Property taxes	7,377	3,162	-	3,162	10,539	10,298
Taxes and licenses	-	1,520	-	1,520	1,520	1,428
Security	5,932	-	-	-	5,932	8,906
Special events	-	-	40,301	40,301	40,301	45,017
Telephone and internet	-	22,277	-	22,277	22,277	14,911
Tuition Protection Plan	23,942	-	-	-	23,942	24,315
Utilities	49,427	12,357	-	12,357	61,784	59,149
Total expenses before donated goods and services	3,967,016	993,865	165,035	1,158,900	5,125,916	4,894,573
Donated goods and services	-	-	1,352	1,352	1,352	59,149
TOTAL EXPENSES	$ 3,967,016	$ 993,865	$ 166,387	$ 1,160,252	$ 5,127,268	$ 4,953,722

See independent auditor's report and accompanying notes.

WALDORF SCHOOL OF SAN DIEGO
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 70,861	$ 274,034
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	154,457	145,081
Change in debt issuance costs for loans payable	14,522	14,221
(Increase) decrease in assets		
Tuition receivable	34,191	(48,852)
Contributions receivable	36,400	15,230
Inventory	8,634	12,150
Prepaid expenses	(6,462)	(1,401)
Increase (decrease) in liabilities		
Accounts payable	9,659	(2,022)
Accrued expenses	(32,919)	(15,399)
Deferred revenue	(20,255)	36,126
Net cash provided by operating activities	269,088	429,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(83,103)	(134,785)
Net cash (used) by investing activities	(83,103)	(134,785)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of debt issuance costs	-	(3,000)
Principal payments on long-term debt	(132,429)	(116,318)
Net cash (used) by financing activities	(132,429)	(119,318)
NET INCREASE IN CASH	53,556	175,065
CASH AND CASH EQUIVALENTS, beginning of year	718,704	543,639
CASH AND CASH EQUIVALENTS, end of year	$ 772,260	$ 718,704
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$ 155,237	$ 161,266

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. Only those amounts that meet the criteria above are recorded in the accompanying financial statements. During the years ended June 30, 2018 and 2017 the Organization received donated goods and services in the amounts of $1,352 and none, respectively. The contributions were recorded at their fair market value at the date of donation. Equal amounts were also recorded as advertising and promotion 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, 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, 2014 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, 2018 and 2017.

(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, 2018 and 2017 the uninsured amount was $536,189 and $488,171, 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, 2018 and 2017 were $29,387 and $217, 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)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, advertising costs totaled $10,780 and $3,675, 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, 2017, from where the summarized information was derived.

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.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

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 Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its 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, 2018 and 2017.

- 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, 2018 and 2017.

- 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.

(Note 3 continued on the following page)

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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, 2018

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

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

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	
	2018	**2017**
Balance, beginning of year	$ 37,194	$ 52,424
New pledges	-	-
Payments received	(30,826)	(2,760)
Write-offs	(6,460)	(25,000)
Change in allowance for uncollectible pledges	-	12,500
Change in present value discount	886	30
Balance, end of year	$ 794	$ 37,194

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, 2018 and 2017 the allowance for uncollectible pledges was none.

Included in contributions receivable at June 30, 2018 are the following unconditional promises to give:

Amounts due in		
Less than one year	$	670
One to five years		240
Total promises to give		910
Less: allowance for uncollectible pledges		-
Less: unamortized discount		(116)
Net contributions receivable	$	794

NOTE 5 – OTHER ACCRUED LIABILITIES

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

		2018		2017
Interest	$	14,138	$	14,138
Other		2,829		2,913
Total	$	16,967	$	17,051

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:

	Method	Estimated Useful Lives (Years)	2018	2017
Land improvements	Straight-line	10	$ 105,653	$ 82,701
Buildings and improvements	Straight-line	5 – 50	4,254,643	4,240,470
Equipment and furniture	Straight-line	5 – 20	260,240	250,485
Vehicles	Straight-line	5	45,393	45,393
			4,665,929	4,619,049
Less: accumulated depreciation			(1,134,545)	(980,088)
			3,531,384	3,638,961
Construction in progress			122,170	85,947
Land			1,553,796	1,553,796
			$ 5,207,350	$ 5,278,704

Depreciation expense for the years ended June 30, 2018 and 2017 was $154,457 and $145,081, 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:

		2018		2017
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, 2018 and 2017. Finally, the School is required to maintain $135,000 on deposit at all times with the bank holding the note.	$	3,893,769	$	4,026,198
Less: Current portion of long-term debt		(125,715)		(120,849)
Long-term debt	$	3,768,054	$	3,905,349

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

2018	$	125,715
2019		129,914
2020		135,561
2021		141,033
2022		146,726
Thereafter		3,214,820
	$	3,893,769

(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.

	2018	2017
Total loan balance	$ 3,893,769	$ 4,026,198
Less: debt issuance costs	(7,901)	(22,423)
Net loan balance	$ 3,885,868	$ 4,003,775

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

During the years ended June 30, 2018 and 2017, $331,620 and $331,620, 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:

	2018	2017
Contributions receivable	$ 30,826	$ 2,760
Building fund	-	22,081
Classroom funds	109,954	150,633
Field trips fund	48,389	37,030
School programs	182,236	119,116
Total temporarily restricted net assets	$ 371,405	$ 331,620

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

	2018	2017
Contributions receivable	$ 794	$ 37,194
Classroom funds	34,628	28,434
Field trips fund	16,101	15,026
School programs	91,424	112,434
Total temporarily restricted net assets	$ 142,947	$ 193,088

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 $49,182 and $35,828 were made by the School during the years ended June 30, 2018 and 2017, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2018 have been evaluated through January 28, 2019, the date at which the School's financial statements were available to be issued. No events requiring disclosures have occurred through this date.