



Financial Statements
December 31, 2015

Keystone Science School, Inc.

(With Comparative Totals for 2014)

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Independent Auditor's Report

The Board of Directors
Keystone Science School, Inc.
Keystone, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Keystone Science School, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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 Keystone Science School, Inc. as of December 31, 2015, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Golden, Colorado
March 15, 2016

www.eidebailly.com

Keystone Science School, Inc.
Statement of Financial Position
December 31, 2015
(with comparative totals for 2014)

	2015	2014
Assets		
Cash and cash equivalents	\$ 1,110,142	\$ 721,735
Accounts receivable, net	55,356	51,967
Promises to give, net	47,850	281,900
Prepaid expenses and other assets	13,022	32,365
School store inventory	11,188	13,287
Cash restricted for long-term purposes	400,000	400,000
Property and equipment, net	2,343,560	2,367,849
Endowment		
Cash	51,000	1,000
Promises to give, net	100,000	-
Total Assets	\$ 4,132,118	\$ 3,870,103
Liabilities and Net Assets		
Accounts payable	\$ 36,977	\$ 36,434
Accrued liabilities	87,814	46,376
Deferred revenue	155,377	111,839
Deferred compensation	-	79,000
Total liabilities	280,168	273,649
Net assets		
Unrestricted		
Undesignated	2,548,895	2,430,041
Board-designated operating reserve	239,343	125,317
	2,788,238	2,555,358
Temporarily restricted	912,712	1,040,096
Permanently restricted	151,000	1,000
Total net assets	3,851,950	3,596,454
Total Liabilities and Net Assets	\$ 4,132,118	\$ 3,870,103

Keystone Science School, Inc.
Statement of Activities
Year Ended December 31, 2015
(with comparative totals for 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support					
Program revenue, net of scholarships of \$14,062	\$ 1,330,380	\$ -	\$ -	\$ 1,330,380	\$ 1,267,028
Contributions	288,275	700,798	150,000	1,139,073	1,337,473
Gross special event revenue	39,049	-	-	39,049	46,274
Less cost of direct benefits to donors	(10,874)	-	-	(10,874)	(11,610)
Net special event revenue	28,175	-	-	28,175	34,664
School store sales	27,400	-	-	27,400	25,886
Less cost of goods sold	(15,932)	-	-	(15,932)	(17,377)
Net school store sales	11,468	-	-	11,468	8,509
Interest and other income	13,892	-	-	13,892	14,030
Net assets released from restrictions	828,182	(828,182)	-	-	-
Total revenue and support	<u>2,500,372</u>	<u>(127,384)</u>	<u>150,000</u>	<u>2,522,988</u>	<u>2,661,704</u>
Expenses					
Program services expense					
Camp programs	604,089	-	-	604,089	580,540
School programs	495,169	-	-	495,169	507,276
Educator programs	291,563	-	-	291,563	307,480
Community programs	281,609	-	-	281,609	199,420
School store	10,306	-	-	10,306	5,891
Total program services expense	<u>1,682,736</u>	<u>-</u>	<u>-</u>	<u>1,682,736</u>	<u>1,600,607</u>
Supporting services expense					
Administrative	481,290	-	-	481,290	489,357
Fundraising	115,670	-	-	115,670	109,450
Total supporting services expense	<u>596,960</u>	<u>-</u>	<u>-</u>	<u>596,960</u>	<u>598,807</u>
Total expenses	<u>2,279,696</u>	<u>-</u>	<u>-</u>	<u>2,279,696</u>	<u>2,199,414</u>
Change in net assets before depreciation and gain on extinguishment of deferred compensation liability					
	220,676	(127,384)	150,000	243,292	462,290
Depreciation	(44,296)	-	-	(44,296)	(42,236)
Gain on extinguishment of deferred compensation liability	56,500	-	-	56,500	-
Change in Net Assets	<u>232,880</u>	<u>(127,384)</u>	<u>150,000</u>	<u>255,496</u>	<u>420,054</u>
Net Assets, Beginning of Year	<u>2,555,358</u>	<u>1,040,096</u>	<u>1,000</u>	<u>3,596,454</u>	<u>3,176,400</u>
Net Assets, End of Year	<u>\$ 2,788,238</u>	<u>\$ 912,712</u>	<u>\$ 151,000</u>	<u>\$ 3,851,950</u>	<u>\$ 3,596,454</u>

Keystone Science School, Inc.
Statement of Cash Flows
Year Ended December 31, 2015
(with comparative totals for 2014)

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 255,496	\$ 420,054
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	44,296	42,236
Gain on extinguishment of deferred compensation liability	(56,500)	-
Contributions restricted to permanent endowment	(150,000)	(1,000)
Changes in operating assets and liabilities		
Accounts receivable, net	(3,389)	(6,429)
Promises to give, net	234,050	(240,578)
Prepaid expenses and other assets	19,343	(10,828)
School store inventory	2,099	4,767
Accounts payable	543	2,222
Accrued liabilities	41,438	(5,088)
Deferred revenue	43,538	22,768
Deferred compensation	(22,500)	(6,000)
Net Cash from Operating Activities	408,414	222,124
Cash Flows from Investing Activities		
Purchases of property and equipment	(20,007)	(21,884)
Additions to cash restricted to endowment	(50,000)	(1,000)
Net Cash used for Investing Activities	(70,007)	(22,884)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	50,000	1,000
Net Cash from Investing Activities	50,000	1,000
Net Change in Cash and Cash Equivalents	388,407	200,240
Cash and Cash Equivalents, Beginning of Year	721,735	521,495
Cash and Cash Equivalents, End of Year	\$ 1,110,142	\$ 721,735

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Since 1976, Keystone Science School (the School, KSS, we, us, our) has taught scientific principles and leadership skills to young people, teachers, and community members through engaging, hands-on field experiences. Participants work together to develop critical thinking skills as they explore nature and science education.

The original mission of the School continues today, with even greater conviction and a strong belief that leaders should approach important decisions with a respect for scientific inquiry, collaboration, and civic engagement. Thirty-eight years after our founding, our professional staff endeavor to prepare future leaders with the necessary skills to address the increasingly complex issues facing our society and our world.

In 2015, approximately 7,100 youth and adults directly participated in our programs, including 1,000 children who attended Camp Programs, 4,800 children and teachers who participated in our School Programs, and more than 1,200 children and adults reached by our growing Community Programs. Additionally, our Educator Programs trained 100 teachers, each of whom we estimate will reach another 150 students in the coming school year for combined total of over 14,500 children receiving hands-on STEM (Science Technology Engineering and Math) lessons as a result of our efforts.

Camp Programs

Camp Programs offer a range of summer programs for youth aged 5-17 providing a balance of hands-on science education, Colorado adventure, and traditional camp-style fun. Options include day camp, multi-day residential sessions, and leadership programs for teens.

School Programs

Through partnerships with public and private schools, School Programs bring science alive for K-12 students through informal investigations and research projects that incorporate innovative teaching methods and hands-on activities. Tailored to each school's academic needs, our curriculum is aligned with the newly revised Common Core Standards and National Standards, and utilizes a non-biased, interdisciplinary approach.

Educator Programs

Designed for teachers seeking a fresh approach to teaching STEM principles, and free of cost to all teachers, these national professional development programs feature interdisciplinary, hands-on, inquiry-based curricula on a variety of issues relevant to today's communities, including water quality, climate change, freshwater sustainability, and others.

Community Programs

These customizable programs are designed specifically for the community-at-large and provide residents and visitors the opportunity to engage more fully with our spectacular mountain environment. Programs include subject-driven retreats and trainings, astronomy, and Wilderness First Aid courses.

Comparative Financial Information

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the School's audited financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments held for long-term purposes are excluded from this definition.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from schools and participants. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and review of subsequent collections. Accounts receivable are written off when deemed uncollectable. The allowance was \$2,595 at December 31, 2015.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. We expect to collect all promises to give outstanding on December 31, 2015, and therefore have not established an allowance.

School Store Inventory

We maintain an inventory of supplies and logo-wear for sale to students and participants. Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method. We determined that no allowance for inventory obsolescence was necessary at December 31, 2015.

Property and Equipment

Property and equipment additions over \$3,000 and useful lives exceeding one year are recorded at cost, or if donated, at fair value on the date of donation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, which range from three to twenty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. We expense repair and maintenance costs that do not improve or extend the useful lives of the respective assets.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, we recognize an impairment loss to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2015.

Net Assets

We classify net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time.

We report contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by our actions.

Revenue and Revenue Recognition

We recognize revenue when earned. Program revenue received in advance is deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Materials

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2015.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, we allocated certain costs among the programs and supporting services benefited. Note 6 presents total expenses by function.

Income Taxes

The School is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been determined not to be a private foundation under Section 509(a)(2). The School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the School is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. We determined we had no unrelated business taxable income during the year, and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. We consider credit risk associated with accounts receivable and unconditional promises to give to be limited due to high historical collection rates and because a substantial portion of the outstanding amounts are due from organizations and individuals supportive of our mission.

Subsequent Events

We have evaluated subsequent events through March 15, 2016, the date the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2015:

Within one year	\$ 122,850
In one to five years	<u>25,000</u>
	<u><u>\$ 147,850</u></u>

Promises to give due in more than one year were not discounted to present value because the amount of the discount was immaterial. \$100,000 of promises to give were restricted to permanent endowment at December 31, 2015. At December 31, 2015, one donor accounted for 68% of total promises to give.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2015:

Buildings and improvements	\$ 669,498
Computers and telecommunications	15,723
Office equipment	21,454
Vehicles	8,000
	714,675
Less accumulated depreciation	(118,513)
	596,162
Land	1,747,398
	\$ 2,343,560

Note 4 - Endowment

We have a single common endowment fund (Endowment) established by donors to provide discretionary operating income on an as-needed basis. The Endowment includes only donor-restricted funds, as the Board of Directors has not designated any of our unrestricted net assets to function as endowment. Net assets associated with the Endowment are classified and reported based on the existence or absence of donor-imposed restrictions. All of the Endowment net assets were permanently restricted at December 31, 2015. During the year ended December 31, 2015, the Board of Directors approved a transfer of the Endowment in its entirety to The Summit Foundation. The transfer, in the amount of \$151,000, has not been completed.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015, consist of:

Restricted by donors for	
Administrative Office building	\$ 400,000
Camp programs	84,857
Educator programs	243,209
Community programs	128,399
School programs	56,247
	\$ 912,712

Net assets were released from restrictions as follows during the year ended December 31, 2015:

Satisfaction of purpose restrictions	
Camp programs	\$ 77,279
Educator programs	427,732
Community programs	228,332
School programs	94,839
	\$ 828,182
	\$ 828,182

Note 6 - Functionalized expenses

Total expenses by function were as follows for the year ended December 31, 2015:

Program services	
(including cost of goods sold of \$15,932 and depreciation of \$800)	\$ 1,699,468
Administrative (including depreciation of \$39,970)	521,260
Fundraising (including depreciation of \$3,526)	119,196
	\$ 2,339,924
	\$ 2,339,924

Note 7 - Employee Benefits

We maintain a voluntary salary deferral and discretionary profit-sharing plan (Plan) qualified under Section 401(k) of the Internal Revenue Code (IRC). The Plan covers substantially all full-time employees. Plan participants may contribute a portion of their compensation by electing pre-tax salary reductions up to annual limits specified by the IRS. Participant contributions vest immediately. Contributions to the plan by the School are discretionary, and vest evenly over three years. During 2015, we contributed \$19,838 to the Plan.

We shared a deferred compensation liability with The Keystone Center under a non-eligible supplemental retirement plan (Non-eligible Plan) qualified under Section 457(f) of the IRC which covered our founder and former president. Under the terms of the Non-eligible Plan, we were required to make annual distributions of \$22,500 to the founder for life. During the year ended December 31, 2015, our founder passed, and, as a result, our liability ended and we recorded a gain on extinguishment of deferred compensation liability of \$56,500 in the statement of activities.