Financial Statements
December 31, 2018

Keystone Science School, Inc.

(With Comparative Totals for 2017)

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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, 2018, and the related statements of activities, functional expenses, 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, 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.

Emphasis of Matter
As discussed in Note 11 to the financial statements, Keystone Science School, Inc. has adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* and ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. Net assets at December 31, 2017 have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions as required by ASU 2016-14. In addition, the December 31, 2017 statement of cash flows has been restated to adopt ASU 2016-18. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information
We have previously audited Keystone Science School, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2018. In our opinion, except as described in the Emphasis of Matter paragraph, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Denver, Colorado
March 25, 2019

	2018	2017 (Restated)
Assets		
Cash and cash equivalents	$ 1,314,659	$ 1,059,650
Accounts receivable, net	61,459	104,154
Promises to give, net	1,027,847	1,714,265
Prepaid expenses and other assets	42,494	19,411
School store inventory	8,989	12,524
Cash restricted for building project	872,874	489,194
Property and equipment, net	4,564,817	2,589,128
Beneficial interest in assets held by The Summit Foundation	195,803	205,814
Total assets	$ 8,088,942	$ 6,194,140
Liabilities and Net Assets		
Accounts payable	$ 37,796	$ 46,159
Accrued liabilities	134,499	119,726
Deferred revenue	248,107	167,131
Construction payable	395,132	-
Total liabilities	815,534	333,016
Net Assets		
Without donor restrictions		
Undesignated	2,863,659	2,786,575
Designated by the board for operating reserve	200,000	200,000
	3,063,659	2,986,575
With donor restrictions		
Time-restricted for future periods	158,613	219,137
Purpose restricted	3,855,333	2,449,598
Perpetual duration	195,803	205,814
	4,209,749	2,874,549
Total net assets	7,273,408	5,861,124
Total liabilities and net assets	$ 8,088,942	$ 6,194,140

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenue, Support, and Gains				
Program revenue, net of scholarships of $53,419 and $48,889	$ 1,790,892	$ -	$ 1,790,892	$ 1,651,612
School store sales	29,317	-	29,317	31,634
Less cost of goods sold	(14,677)	-	(14,677)	(14,584)
Net school store sales	14,640	-	14,640	17,050
Interest and other income	27,294	-	27,294	19,464
Contributions	294,626	2,106,289	2,400,915	3,273,833
Gross special event revenue	93,183	-	93,183	80,119
Less cost of direct benefits to donors	(26,149)	-	(26,149)	(24,615)
Net special event revenue	67,034	-	67,034	55,504
Change in value of beneficial interest in assets held by The Summit Foundation	-	(10,511)	(10,511)	23,174
Net assets released from restrictions	760,578	(760,578)	-	-
Total revenue, support, and gains	2,955,064	1,335,200	4,290,264	5,040,637
Expenses				
Program services expense	2,043,885	-	2,043,885	2,209,971
Supporting services expense				
Administrative	605,126	-	605,126	521,855
Fundraising	166,095	-	166,095	234,879
Total supporting services expense	771,221	-	771,221	756,734
Total expenses	2,815,106	-	2,815,106	2,966,705
Change in net assets before depreciation	139,958	1,335,200	1,475,158	2,073,932
Depreciation	(62,874)	-	(62,874)	(55,284)
Change in Net Assets	77,084	1,335,200	1,412,284	2,018,648
Net Assets, Beginning of Year (Restated)	2,986,575	2,874,549	5,861,124	3,842,476
Net Assets, End of Year	$ 3,063,659	$ 4,209,749	$ 7,273,408	$ 5,861,124

	Program	Administrative	Fundraising	2018 Total	2017 Total
Salaries, taxes, and benefits	$ 1,304,595	$ 482,821	$ 127,550	$ 1,914,966	$ 1,954,670
Participant activities, meals, and supplies	395,469	-	-	395,469	435,078
Facilities and equipment	103,607	6,082	88	109,777	105,941
Registration and marketing	75,825	4,129	9,737	89,691	81,074
Information technology	16,618	43,036	8,120	67,774	72,160
Staff recruiting, training, and travel	51,629	9,942	4,337	65,908	81,701
Insurance	38,696	15,162	213	54,071	47,232
Vehicles	52,297	12	-	52,309	57,775
Professional services	247	35,379	11,850	47,476	111,848
Cost of direct benefits to donors	-	-	26,149	26,149	24,615
Cost of goods sold	14,677	-	-	14,677	14,584
Office costs	2,919	4,767	4,035	11,721	12,033
Depreciation	58,825	4,049	-	62,874	55,284
Other	1,983	3,796	165	5,944	7,193
	2,117,387	609,175	192,244	2,918,806	3,061,188
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	(26,149)	(26,149)	(24,615)
Cost of goods sold	(14,677)	-	-	(14,677)	(14,584)
Less depreciation (presented separately from other expenses)	(58,825)	(4,049)	-	(62,874)	(55,284)
Total expenses included in the expense section on the statement of activities	$ 2,043,885	$ 605,126	$ 166,095	$ 2,815,106	$ 2,966,705

	2018	2017 (Restated)
Cash Flows from Operating Activities		
Change in net assets	$ 1,412,284	$ 2,018,648
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	62,874	55,284
Change in value of beneficial interest in assets held by The Summit Foundation	10,511	(23,174)
Contributed property and equipment capitalized	(45,054)	(40,454)
Contributions restricted to endowment held at The Summit Foundation	(500)	(25,000)
Changes in operating assets and liabilities		
Accounts receivable, net	42,695	(48,442)
Promises to give, net	686,418	(1,652,265)
Prepaid expenses and other assets	(23,083)	17,328
School store inventory	3,535	597
Accounts payable	(8,363)	(15,603)
Accrued liabilities	14,773	(970)
Deferred revenue	80,976	31,481
Net Cash from Operating Activities	2,237,066	317,430
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,585,975)	(173,443)
Transfers to endowment held by The Summit Foundation	(500)	(50,000)
Net Cash used for Investing Activities	(1,586,475)	(223,443)
Cash Flows from Financing Activities		
Payments for accounts payable for property and equipment	(12,402)	-
Collections of contributions restricted for endowment held by The Summit Foundation	500	50,000
Net Cash from Investing Activities	(11,902)	50,000
Net Change in Cash, Cash Equivalents, and Restricted Cash	638,689	143,987
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,548,844	1,404,857
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 2,187,533	$ 1,548,844
Cash and cash equivalents	$ 1,314,659	$ 1,059,650
Cash restricted for building project	872,874	489,194
Total Cash, Cash Equivalents, and Restricted Cash	$ 2,187,533	$ 1,548,844
Supplemental disclosure of non-cash investing activity		
Accounts payable for property and equipment	$ 225,003	$ 12,402
Retainage payable for building project	$ 170,129	$ -

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Keystone Science School, Inc. (KSS, we, us, our) inspires curiosity and critical thinking through the lens of science to change lives and strengthen communities. We create future leaders who can problem solve and work together in an ever-evolving world and workplace environment.

Founded in 1976 by Robert W. Craig, Keystone Science School teaches scientific principles and leadership skills to young people, teachers, and community members through engaging, hands-on field experiences. Keystone Science School was founded on the belief that leaders should approach decision-making with a healthy respect for scientific inquiry, collaboration, and civic engagement. We know that today's youth are our future leaders - the ones who will develop policies and make decisions that impact our world. With that in mind, we've created interactive science education programs that help students become familiar with scientific and critical thinking skills and encourage them to be engaged citizens.

In 2018, approximately 8,800 youth and adults participated in our science education program: 5,000 children and adults joined our *Education* activities, more than 2,200 students participated in our *School-Based* activities, more than 1,000 children attended *Camp*, and 600 participated in *Adventure* activities. Of those impacted, roughly 93% are Colorado residents and 32% received financial assistance to attend.

Education

Activities in our Education focus area bring science and outdoor leadership to life through informal investigation and hands-on research projects. We work with K-12 schools, community groups, and retreat groups utilizing a non-biased, interdisciplinary approach. Whether groups come for a 3-day, 2-night residential experience or take advantage of a customized day program, each participant has the opportunity to learn in the natural world, driving home the scientific principles we teach.

We also work with educators, providing professional development opportunities to teachers seeking a fresh approach to teaching STEM. These trainings feature interdisciplinary, engaging, and inquiry-based curricula for educators on a variety of environmental issues relevant to today’s communities.

To further impact the community, our Girls in STEM program empowers girls in 3rd to 8th grade to explore STEM topics with female professionals and mentors. Sessions have included topics such as coding, product design, snow science, and healthcare.

School-Based

School-Based activities are held directly with school districts to provide out-of-school and in-school activities for their students, hosted at the respective schools’ campuses. To directly support working families in Summit County, we provide accessible, affordable, and consistent care for the after school hours and summer break weeks via our CATCH After School and Summer CATCH Camp programs. In each, we promote physical activity and healthy eating habits using the “Coordinated Approach To Child Health” curriculum. A sliding fee scale ensures that all families can access these programs.

School-Based activities also assist all fifth graders in Summit County to make a successful social and academic transition to middle school via the Camp Summit Middle School program. Students participate in interactive learning sessions on building and contributing to their school's community, the importance of diversity, and academic preparation for success in middle school.

Camp

Camp offers a range of summer experiences full of science exploration, Colorado adventure, and traditional camp-style fun. Whether participating in day camp, overnight camp, or teen leadership programs, youth aged 5-17 have the opportunity to evolve from curious learners to confident leaders. A robust scholarship program, supported by our generous donors, ensures that finances aren't a barrier to children's participation. In addition to summer programs, we support local working families by providing day camp options for school-aged children during local school breaks.

Adventure

Adventure activities give school groups and summer campers the opportunity to develop leadership skills and learn about the natural world around them through camping-based exploration. Utilizing our extensive science curriculum, participants get a first-hand look at the unique geology, ecology, weather, and watersheds of the mountain region and are inspired to challenge themselves and build advanced outdoor skills among their peers.

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 our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Adoption of FASB Accounting Standards Updates

As of January 1, 2018, we adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions), and introduce new disclosure requirements to improve a financial statement user's ability to assess our liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location. Accordingly, the accompanying financial statements and related notes follow the presentation and disclosure requirements prescribed by the ASU.

As of January 1, 2018, we early adopted the provisions of ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required.

We adopted these standards as we believe the standards improve the usefulness and understandability of our financial reporting. Accordingly, the December 31, 2017 financial statements have been restated to adopt these standards (Note 11).

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 building project, to be cash and cash equivalents.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from schools and participants. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and review of subsequent collections. Accounts receivable are written off when deemed uncollectible. The allowance was $2,886 and $3,819 at December 31, 2018 and 2017, respectively.

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 uncollectible 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 uncollectible. We expect to collect all promises to give outstanding on December 31, 2018 and 2017 and therefore have not established an allowance.

School Store Inventory

We maintain an inventory of supplies and logo-wear for sale to 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, 2018 and 2017.

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 years ended December 31, 2018 and 2017.

Beneficial Interest in Assets Held by The Summit Foundation

During the year ended December 31, 2016, we established a permanent endowment fund at The Summit Foundation (TSF) and named ourselves beneficiary. It is the intention of both parties that the principal of the fund is preserved in perpetuity, however, distributions from the principal may be made from time to time, but only to meet an operational emergency or capital project need of KSS. Any such distribution must be approved both by a vote of three-fourths of our current directors and by a vote of three-fourths of all current members of the Board of Trustees of TSF. The Fund is held and invested by TSF for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. Our governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 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. During the years ended December 31, 2018 and 2017, donated goods totaled $117,267 and $90,570, respectively. We record donated professional services at the respective fair values of the services received. During the years ended December 31, 2018 and 2017, donated professional services totaled $28,752 and $33,539, respectively (Note 9).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of functional expenses, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated on a square footage basis, as well as salaries, taxes, and benefits, facilities and equipment, registration and marketing, information technology, insurance, and staff recruiting, training, and travel, which are allocated on the basis of estimates of time and effort.

Income Taxes

KSS 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). KSS is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, KSS is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. KSS had no unrelated business taxable income during the year, and has 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 25, 2019, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

We operate on a balanced budget and regularly monitor liquidity to meet our operating needs and other contractual commitments while also striving to maximize the investment of our available funds.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use to purposes more narrow than our ongoing programmatic activities and services in support of those activities within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,314,659
Accounts receivable, net	61,459
Promises to give due within one year not restricted for long-term purposes	94,041
	$ 1,470,159

Cash and cash equivalents include donor restricted funds of $453,640 which are expected to be spent in the normal course of operations in the next 12 months.

The Board of Directors has designated $200,000 from net assets without donor restrictions as an operating reserve fund that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the normal course of operations.

The beneficial interest in assets held by TSF permits the withdrawal of up to one-half of the current year's investment earnings (upon a majority vote of our Board of Directors) after the endowment balance has reached $500,000. The endowment balance is not expected to reach $500,000 nor does the Board expect to authorize any distribution within the next 12 months.

Note 3 - Capital Campaign

Our substantial growth over the last decade has enabled us to triple the number of participants we reach annually (from 2,800 in 2006 to 8,800 in 2018). However, this growth has come at a time when total facilities have increased by only a few hundred square feet. In response, we undertook a capital campaign from 2017-2018 to help us to keep up with this growth by increasing working and living space for staff.

The project has two components: an administrative building for working and teaching and an “Instructor Village” for living. The administrative building will be a 6,000 square foot hub to bring together all of our offices under one roof. This will maximize opportunities for collaboration and enable program staff and administrative staff to think more broadly about the work they do. With an open design, it will provide much-needed meeting, teaching, and office space.

The “Instructor Village” will add modern cabins for instructional staff housing. The look and feel will be consistent with our existing buildings, but they will include amenities not available in our current 1880s-era cabins, such as running water and kitchenettes. While multiple cabins are needed, this phase of construction includes one 1,020 square foot cabin (housing three to five staff members) and the infrastructure for a second cabin. The Village design will allow for smart future growth as funding is available.

In April 2018, we entered into a construction contract with a guaranteed maximum price of $2.5 million. We broke ground in August 2018, and expect to complete construction in early 2019. Total costs are estimated to be $3.7 million, including both construction and administration of the capital campaign and project.

As of December 31, 2018, we have received cash, promises to give, and in-kind contributions totaling $3.76 million for the project.

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date. We had no Level 1 assets at December 31, 2018 and 2017.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs. We had no Level 2 assets at December 31, 2018 and 2017.

Level 3 – Unobservable inputs for the asset. The fair value of our beneficial interest in assets held by The Summit Foundation is based on the fair value of fund investments as reported by The Summit Foundation.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

Below is a reconciliation of the beginning and ending balance of our beneficial interest in assets held by TSF measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2018 and 2017:

	2018	2017
Beginning balance	$ 205,814	$ 132,640
Contributions	500	50,000
Investment return (loss), net	(10,511)	23,174
Ending balance	$ 195,803	$ 205,814

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2018 and 2017:

	2018	2017
Within one year	$ 782,474	$ 1,030,238
In one to five years	257,832	716,433
	$ 1,040,306	$ 1,746,671
Less discount to net present value at 4.42%	(12,459)	(32,406)
	$ 1,027,847	$ 1,714,265

At December 31, 2018, one donor accounted for 29% of total promises to give. At December 31, 2017, two donors accounted for 35% of total promises to give. Of total promises to give at December 31, 2018 and 2017, $248,268 and $449,200, respectively, is attributable to the members of the Board of Directors. Members of the Board of Directors contributed approximately $140,229 and $668,584 of total contribution revenue during the years ended December 31, 2018 and 2017, respectively. Of total promises to give at December 31, 2018 and 2017, $900,265 and $1,450,550, respectively, was restricted by donors for the capital campaign (Note 3).

During the year ended December 31, 2018, KSS received a conditional promise to give totaling $60,000 for the capital campaign, conditioned upon achieving a defined construction milestone, which was met subsequent to year-end.

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31, 2018 and 2017:

	2018	2017
Buildings and improvements	$ 718,009	$ 718,009
Computers and telecommunications	15,723	15,723
Program and office equipment	97,909	97,909
Vehicles	29,000	8,000
	860,641	839,641
Less accumulated depreciation	(281,041)	(218,166)
	579,600	621,475
Land	1,747,398	1,747,398
Construction-in-progress	2,237,819	220,255
	$ 4,564,817	$ 2,589,128

Note 7 - Construction Loan and Letter of Credit

We have a construction loan to support our capital construction project (Note 3). It allows us to borrow up to $2,899,000 and is secured by our property and the bank accounts used to deposit capital campaign collections. During construction, borrowings bear interest at a floating rate equal to the greater of the bank's prime rate minus 1.08% or a floor of 0.00% (4.42% at December 31, 2018). Upon completion of the project, any loan balance converts to a fixed-rate loan maturing 60 months after conversion, bearing interest equal to the bank's cost of funds rate plus 1.10%. The agreement requires us to comply with certain financial and non-financial covenants. As of December 31, 2018, the construction loan was undrawn.

In conjunction with the capital construction outlined in Note 3, we have provided a letter of credit in favor of Summit County Government in the amount of $317,873. In accordance with the site plan improvements agreement entered into with the County, in the event we fail to make any required upgrades to the property, the County may access the letter of credit to pay for and complete the improvements. The letter of credit is secured by our property, expires one year from issuance, and can be renewed for additional years. As of December 31, 2018, the letter of credit was undrawn.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Subject to the passage of time	$ 158,613	$ 219,137
Subject to expenditure for specified purpose		
Building project	3,405,699	1,912,813
School-Based programs	299,228	397,463
Camp programs	82,672	74,835
Education and Adventure programs	67,734	24,567
Educator programs	-	39,920
	3,855,333	2,449,598
Not subject to spending policy or appropriation		
Benefical interest in assets held by The Summit Foundation	195,803	205,814
	$ 4,209,749	$ 2,874,549

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time as follows during the years ended December 31, 2018 and 2017:

	2018	2017
Expiration of time restrictions	$ 108,511	$ -
Satisfaction of purpose restrictions		
Building project	57,600	215,997
School-Based programs	394,615	330,363
Camp programs	74,756	58,765
Education and Adventure programs	107,176	133,495
Educator programs	17,920	282,730
	$ 760,578	$ 1,021,350

Note 9 - Donated Professional Services and Materials

We received donated professional services and materials as follows during the years ended December 31, 2018 and 2017:

	Program Services	Administrative	Fundraising	Total
December 31, 2018				
Educational supplies	$ 11,527	$ -	$ -	$ 11,527
Special event food and beverage and items for resale	-	-	62,766	62,766
Technology services and supplies	-	1,745	-	1,745
Repairs and maintenance	-	1,400	-	1,400
Advertising	19,402	-	4,125	23,527
	$ 30,929	$ 3,145	$ 66,891	$ 100,965
December 31, 2017				
Educational supplies	$ 2,491	$ 1,354	$ -	$ 3,845
Special event food and beverage and items for resale	-	-	46,521	46,521
Technology services and supplies	-	3,799	630	4,429
Repairs and maintenance	3,900	-	-	3,900
Advertising	21,769	-	3,191	24,960
	$ 28,160	$ 5,153	$ 50,342	$ 83,655

In addition to the above, the value of capitalized donated goods and services totaled $45,054 and $40,454 for the years ended December 31, 2018 and 2017, respectively.

Note 10 - 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 KSS are discretionary, and vest evenly over three years. During 2018 and 2017, we contributed $17,612 and $31,123 to the Plan, respectively.

Note 11 - Adoption of Accounting Standards Updates

We adopted the provisions of ASU 2014-16, *Presentation of Financial Statements of Not-For-Profit Entities*, as of January 1, 2018.

The following financial statement line items for the year ended December 31, 2017 were restated as a result of the adoption:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted net assets	$ 2,986,575	$ (2,986,575)	$ -
Temporarily restricted net assets	$ 2,668,735	$ (2,668,735)	$ -
Permanently restricted net assets	$ 205,814	$ (205,814)	$ -
Net assets without donor restrictions	$ -	$ 2,986,575	$ 2,986,575
Net assets with donor restrictions	$ -	$ 2,874,549	$ 2,874,549

In addition, we early adopted the provisions of ASU 2016-18, *Statement of Cash Flows: Restricted Cash* as of January 1, 2018.

Following is a summary of the effects of the change in accounting policy in the December 31, 2017 statement of cash flows:

	As Previously Reported	Adoption of ASU 2016-18	As Restated
Net Cash from Investing Activities			
(Additons to) withdrawals from cash restricted for building project	$ (136,263)	$ 136,263	$ -
Net Cash used for Investing Activities	$ (359,706)	$ 136,263	$ (223,443)
Net Change in Cash and Cash Equivalents and Restricted Cash	$ 7,724	$ 136,263	$ 143,987
Cash and Cash Equivalents and Restricted Cash Beginning of year	$ 1,051,926	$ 352,931	$ 1,404,857
Cash and Cash Equivalents and Restricted Cash End of year	$ 1,059,650	$ 489,194	$ 1,548,844