



Financial Statements
December 31, 2019

Keystone Science School, Inc.

(With Comparative Totals for 2018)

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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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Keystone Science School, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2019. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Denver, Colorado
March 24, 2020

Keystone Science School, Inc.
Statement of Financial Position
December 31, 2019
(with comparative totals for 2018)

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,422,155	\$ 1,314,659
Accounts receivable, net	117,140	61,459
Promises to give, net	358,335	1,027,847
Prepaid expenses and other assets	47,267	42,494
School store inventory	12,197	8,989
Cash restricted for building project	289,684	872,874
Property and equipment, net	5,477,728	4,564,817
Beneficial interest in assets held by The Summit Foundation	234,457	195,803
Total assets	\$ 7,958,963	\$ 8,088,942
Liabilities and Net Assets		
Accounts payable	\$ 54,594	\$ 37,796
Accrued liabilities	133,413	134,499
Deferred revenue	334,118	248,107
Construction payable	-	395,132
Total liabilities	522,125	815,534
Net Assets		
Without donor restrictions		
Undesignated	5,922,834	2,863,659
Designated by the board for operating reserve	200,000	200,000
	6,122,834	3,063,659
With donor restrictions		
Time-restricted for future periods	73,673	158,613
Purpose restricted	1,005,874	3,855,333
Perpetual duration	234,457	195,803
	1,314,004	4,209,749
Total net assets	7,436,838	7,273,408
Total liabilities and net assets	\$ 7,958,963	\$ 8,088,942

Keystone Science School, Inc.
Statement of Activities
Year Ended December 31, 2019
(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue, Support, and Gains				
Program revenue, net of scholarships of \$43,746 and \$53,419	\$ 1,866,076	\$ -	\$ 1,866,076	\$ 1,790,892
School store sales	20,378	-	20,378	29,317
Less cost of goods sold	(9,816)	-	(9,816)	(14,677)
Net school store sales	10,562	-	10,562	14,640
Contributions	503,982	796,427	1,300,409	2,400,915
Gross special event revenue	118,845	-	118,845	93,183
Less cost of direct benefits to donors	(31,911)	-	(31,911)	(26,149)
Net special event revenue	86,934	-	86,934	67,034
Interest and other income	37,444	-	37,444	27,294
Change in value of beneficial interest in assets held by The Summit Foundation	-	37,654	37,654	(10,511)
Net assets released from restrictions	3,729,826	(3,729,826)	-	-
Total revenue, support, and gains	6,234,824	(2,895,745)	3,339,079	4,290,264
Expenses				
Program services expense	2,098,714	-	2,098,714	2,043,885
Supporting services expense				
Administrative	745,654	-	745,654	605,126
Fundraising	164,233	-	164,233	166,095
Total supporting services expense	909,887	-	909,887	771,221
Total expenses	3,008,601	-	3,008,601	2,815,106
Change in net assets before depreciation	3,226,223	(2,895,745)	330,478	1,475,158
Depreciation	(167,048)	-	(167,048)	(62,874)
Change in Net Assets	3,059,175	(2,895,745)	163,430	1,412,284
Net Assets, Beginning of Year	3,063,659	4,209,749	7,273,408	5,861,124
Net Assets, End of Year	\$ 6,122,834	\$ 1,314,004	\$ 7,436,838	\$ 7,273,408

Keystone Science School, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019
(with comparative totals for 2018)

	Program	Administrative	Fundraising	2019 Total	2018 Total
Salaries, taxes, and benefits	\$ 1,333,238	\$ 597,645	\$ 136,121	\$ 2,067,004	\$ 1,914,966
Participant activities, meals, and supplies	367,683	-	-	367,683	395,469
Depreciation	124,211	36,443	6,394	167,048	62,874
Facilities and equipment	106,269	14,368	398	121,035	109,777
Registration and marketing	87,466	1,831	10,204	99,501	89,691
Information technology	26,227	59,760	4,159	90,146	67,774
Vehicles	79,857	-	-	79,857	52,309
Insurance	41,667	21,608	259	63,534	54,071
Staff recruiting, training, and travel	36,495	14,812	2,444	53,751	65,908
Cost of direct benefits to donors	-	-	31,911	31,911	26,149
Other	16,333	10,497	4,173	31,003	5,944
Professional services	412	19,257	1,189	20,858	47,476
Office costs	3,067	5,876	5,286	14,229	11,721
Cost of goods sold	9,816	-	-	9,816	14,677
	<u>2,232,741</u>	<u>782,097</u>	<u>202,538</u>	<u>3,217,376</u>	<u>2,918,806</u>
Less expenses included with revenues					
Cost of direct benefits to donors	-	-	(31,911)	(31,911)	(26,149)
Cost of goods sold	(9,816)	-	-	(9,816)	(14,677)
	<u>(124,211)</u>	<u>(36,443)</u>	<u>(6,394)</u>	<u>(167,048)</u>	<u>(62,874)</u>
Less depreciation (presented separately from other expenses)					
	<u>(124,211)</u>	<u>(36,443)</u>	<u>(6,394)</u>	<u>(167,048)</u>	<u>(62,874)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 2,098,714</u>	<u>\$ 745,654</u>	<u>\$ 164,233</u>	<u>\$ 3,008,601</u>	<u>\$ 2,815,106</u>

Keystone Science School, Inc.
Statement of Cash Flows
Year Ended December 31, 2019
(with comparative totals for 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 163,430	\$ 1,412,284
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	167,048	62,874
Change in value of beneficial interest in assets held by The Summit Foundation	(37,654)	10,511
Contributed property and equipment capitalized	(22,523)	(45,054)
Contributions restricted to endowment held at The Summit Foundation	(1,000)	(500)
Changes in operating assets and liabilities		
Accounts receivable, net	(55,681)	42,695
Promises to give, net	669,512	686,418
Prepaid expenses and other assets	(4,773)	(23,083)
School store inventory	(3,208)	3,535
Accounts payable	16,798	(8,363)
Accrued liabilities	(1,086)	14,773
Deferred revenue	86,011	80,976
Net Cash from Operating Activities	976,874	2,237,066
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,057,436)	(1,585,975)
Transfers to endowment held by The Summit Foundation	(1,000)	(500)
Net Cash used for Investing Activities	(1,058,436)	(1,586,475)
Cash Flows from Financing Activities		
Payments of accounts and construction payable for property and equipment and building project	(395,132)	(12,402)
Collections of contributions restricted for endowment held by The Summit Foundation	1,000	500
Net Cash used for Financing Activities	(394,132)	(11,902)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(475,694)	638,689
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	2,187,533	1,548,844
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,711,839	\$ 2,187,533
Cash and cash equivalents	\$ 1,422,155	\$ 1,314,659
Cash restricted for building project	289,684	872,874
Total Cash, Cash Equivalents, and Restricted Cash	\$ 1,711,839	\$ 2,187,533
Supplemental disclosure of non-cash investing activity		
Construction payable for building project	\$ -	\$ 395,132

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 2019, approximately 8,000 youth and adults participated in our science education program: 3,650 children and adults joined our *Education* activities, more than 2,100 students participated in our *School-Based* activities, more than 1,500 children attended *Camp*, and 750 participated in *Expeditions* 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.

Expedition

Expedition 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, 2018, from which the summarized information was derived.

Adoption of FASB Accounting Standards Updates

As of January 1, 2019, FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. KSS has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

As of January 1, 2019, FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists KSS in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. KSS has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

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 \$4,460 and \$2,886 at December 31, 2019 and 2018, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position.

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, 2019 and 2018 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, 2019 and 2018.

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, 2019 and 2018.

Beneficial Interest in Assets Held by The Summit Foundation

Previously, 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) 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) 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) 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 donor as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Program revenue is comprised of revenue from education, camp, school-based, and expedition programs. We recognize program revenue at the point in time our performance obligation to provide the program services is met and the education session, camp, school, or expedition program takes place. School store sales are recognized at the time of purchase. Scholarships provided to students are recorded as a reduction from the program revenue at the time revenue is recognized. Payment for program services is required before the start of the program. Contract liabilities are reported as deferred revenue in the statement of financial position and consist of program service fees received in advance of performance obligations being met. We record special events revenue equal to the cost of direct benefits to donors, and contribution income for the difference.

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2019 and 2018, conditional contributions approximating \$0 and \$60,000, respectively, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

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, 2019 and 2018, donated goods totaled \$116,559 and \$117,267, respectively. We record donated professional services at the respective fair values of the services received. During the years ended December 31, 2019 and 2018, donated professional services totaled \$23,130 and \$28,752, respectively (Note 10).

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, staff recruiting, training and travel, and insurance, 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, and has been determined not to be a private foundation. 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

Subsequent to year-end, KSS has been negatively impacted by the effects of the world-wide coronavirus pandemic. We are closely monitoring its operations, liquidity, and capital resources and are actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to our financial position is not known.

We have evaluated subsequent events through March 24, 2020, 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:

	2019	2018
Cash and cash equivalents	\$ 1,422,155	\$ 1,314,659
Accounts receivable, net	117,140	61,459
Promises to give due within one year not restricted for long-term purposes	140,575	94,041
	<u>\$ 1,679,870</u>	<u>\$ 1,470,159</u>

Cash and cash equivalents include donor restricted funds of \$532,280 and \$453,640 for the years ended December 31, 2019 and 2018, respectively, 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, for both the years ended December 31, 2019 and 2018, 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 8,000 in 2019). 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 is a 6,000 square foot hub designed to bring together all of our offices under one roof. It maximizes opportunities for collaboration and enables program staff and administrative staff to think more broadly about the work they do. With an open design, it provides much-needed meeting, teaching, and office space.

The "Instructor Village" adds modern cabins for instructional staff housing. The look and feel is consistent with our existing buildings, but they 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 allows for smart future growth as funding is available.

In September 2019, we opened doors to our administrative building and the first of the staff housing cabins. The total costs, including both the construction and administration of the capital campaign and project were \$3.2 million.

As of December 31, 2019, \$501,247 of cash and promises to give were restricted for future capital improvements.

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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 195,803	\$ 205,814
Contributions	1,000	500
Investment return (loss), net	37,654	(10,511)
Ending balance	<u>\$ 234,457</u>	<u>\$ 195,803</u>

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 330,074	\$ 782,474
In one to five years	29,500	257,832
	<u>\$ 359,574</u>	<u>\$ 1,040,306</u>
Less discount to net present value at 3.35%	(1,239)	(12,459)
	<u>\$ 358,335</u>	<u>\$ 1,027,847</u>

At December 31, 2019 and 2018, one donor accounted for 28% and 29% of total promises to give, respectively. Of total promises to give at December 31, 2019 and 2018, \$67,593 and \$248,268, respectively, is attributable to the members of the Board of Directors. Members of the Board of Directors contributed \$104,244 and \$140,229 of total contribution revenue during the years ended December 31, 2019 and 2018, respectively. Of total promises to give at December 31, 2019 and 2018, \$212,498 and \$900,265, respectively, was restricted by donors for the capital campaign (Note 3).

We received no conditional promises to give during the year ended December 31, 2019. 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 in 2019.

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31, 2019 and 2018:

	2019	2018
Buildings and improvements	\$ 3,793,833	\$ 718,009
Computers and telecommunications	56,609	15,723
Program and office equipment	267,582	97,909
Vehicles	42,248	29,000
	<u>4,160,272</u>	<u>860,641</u>
Less accumulated depreciation	(448,089)	(281,041)
	3,712,183	579,600
Land	1,747,398	1,747,398
Construction-in-progress	18,147	223,819
	<u>\$ 5,477,728</u>	<u>\$ 2,550,817</u>

Note 7 - Construction Loan and Letter of Credit

As of December 31, 2018, we had a construction loan to support our capital construction project. It allowed us to borrow up to \$2,899,000 and was secured by our property and the bank accounts used to deposit capital campaign collections. During construction, borrowings would 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%. As of December 31, 2019 and 2018, the construction loan was undrawn. During the year ended December 31, 2019, the construction loan was closed, and all loan costs were written off.

In conjunction with the capital construction outlined in Note 3, we were provided a letter of credit in favor of Summit County Government in the amount of \$317,873 as of December 31, 2018. 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 and expired in 2019. As of December 31, 2019 and 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, 2019 and 2018:

	2019	2018
Subject to the passage of time	\$ 73,673	\$ 158,613
Subject to expenditure for specified purpose		
Building project	501,247	3,405,699
School-Based programs	335,110	299,228
Education and Expedition programs	89,722	67,734
Camp programs	77,295	82,672
Educator programs	2,500	-
	1,005,874	3,855,333
Not subject to spending policy or appropriation		
Beneficial interest in assets held by The Summit Foundation	234,457	195,803
	\$ 1,314,004	\$ 4,209,749

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, 2019 and 2018:

	2019	2018
Expiration of time restrictions	\$ 105,590	\$ 108,511
Satisfaction of purpose restrictions		
Building project	3,086,480	57,600
School-Based programs	403,143	394,615
Education and Expedition programs	83,296	107,176
Camp programs	51,317	74,756
Educator programs	-	17,920
	\$ 3,729,826	\$ 760,578

Note 9 - Revenue from Contracts with Customers

The following table provides information about disaggregated program revenue and scholarships for the year ended December 31, 2019:

	Program Revenue	Scholarships	Program Revenue, net of Scholarships
Camp programs	\$ 943,190	\$ 22,028	\$ 921,162
Education programs	550,084	8,925	541,159
Expedition programs	295,962	12,793	283,169
School-Based programs	120,586	-	120,586
	<u>\$ 1,909,822</u>	<u>\$ 43,746</u>	<u>\$ 1,866,076</u>

Note 10 - Donated Professional Services and Materials

We received donated professional services and materials as follows during the years ended December 31, 2019 and 2018:

	Program Services	Administrative	Fundraising	Total
<u>December 31, 2019</u>				
Educational supplies	\$ 24,456	\$ -	\$ -	\$ 24,456
Employee relations	-	69	-	69
Special event food and beverage and items for resale	-	-	56,125	56,125
Technology services and supplies	-	165	-	165
Repairs and maintenance	-	212	-	212
Advertising	25,644	-	10,495	36,139
	<u>\$ 50,100</u>	<u>\$ 446</u>	<u>\$ 66,620</u>	<u>\$ 117,166</u>
<u>December 31, 2018</u>				
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
	<u>\$ 30,929</u>	<u>\$ 3,145</u>	<u>\$ 66,891</u>	<u>\$ 100,965</u>

In addition to the above, the value of capitalized donated goods and services totaled \$22,523 and \$45,054 for the years ended December 31, 2019 and 2018, respectively.

Note 11 - 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 2019 and 2018, we contributed \$27,482 and \$17,612 to the Plan, respectively.