Financial Statements
December 31, 2016

Keystone Science School, Inc.

(With Comparative Totals for 2015)

EideBailly
CPAs & BUSINESS ADVISORS

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. (the School), which comprise the statement of financial position as of December 31, 2016, 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Denver, Colorado
March 22, 2017

	2016	2015
Assets		
Cash and cash equivalents	$ 1,051,926	$ 1,110,142
Accounts receivable, net	55,712	55,356
Promises to give, net	62,000	47,850
Prepaid expenses and other assets	36,739	13,022
School store inventory	13,121	11,188
Cash restricted for long-term purposes	352,931	400,000
Property and equipment, net	2,418,113	2,343,560
Beneficial interest in assets held by The Summit Foundation	132,640	-
Promise to give restricted for transfer to The Summit Foundation	25,000	-
Endowment		
Cash	-	51,000
Promises to give, net	-	100,000
Total assets	$ 4,148,182	$ 4,132,118
Liabilities and Net Assets		
Accounts payable	$ 49,360	$ 36,977
Accrued liabilities	120,696	87,814
Deferred revenue	135,650	155,377
Total liabilities	305,706	280,168
Net Assets		
Unrestricted		
Undesignated	2,522,497	2,548,895
Board-designated operating reserve	354,506	239,343
	2,877,003	2,788,238
Temporarily restricted	807,833	912,712
Permanently restricted	157,640	151,000
Total net assets	3,842,476	3,851,950
Total liabilities and net assets	$ 4,148,182	$ 4,132,118

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Support, and Gains					
Program revenue, net of scholarships of $12,972	$ 1,440,167	$ -	$ -	$ 1,440,167	$ 1,330,380
School store sales	32,720	-	-	32,720	27,400
Less cost of goods sold	(18,409)	-	-	(18,409)	(15,932)
Net school store sales	14,311	-	-	14,311	11,468
Interest and other income	21,152	-	-	21,152	13,892
Contributions	318,198	823,013	-	1,141,211	1,139,073
Gross special event revenue	56,036	-	-	56,036	39,049
Less cost of direct benefits to donors	(13,890)	-	-	(13,890)	(10,874)
Net special event revenue	42,146	-	-	42,146	28,175
Change in value of beneficial interest in assets held by The Summit Foundation	-	-	6,640	6,640	-
Net assets released from restrictions	927,892	(927,892)	-	-	-
Total revenue, support, and gains	2,763,866	(104,879)	6,640	2,665,627	2,522,988
Expenses					
Program services expense					
Camp programs	619,359	-	-	619,359	604,089
School programs	565,921	-	-	565,921	505,475
Educator programs	340,740	-	-	340,740	291,563
Community programs	421,319	-	-	421,319	281,609
Total program services expense	1,947,339	-	-	1,947,339	1,682,736
Supporting services expense					
Administrative	510,300	-	-	510,300	481,290
Fundraising	172,070	-	-	172,070	115,670
Total supporting services expense	682,370	-	-	682,370	596,960
Total expenses	2,629,709	-	-	2,629,709	2,279,696
Change in net assets before depreciation and gain on extinguishment of deferred compensation liability	134,157	(104,879)	6,640	35,918	243,292
Depreciation	(45,392)	-	-	(45,392)	(44,296)
Gain on extinguishment of deferred compensation liability	-	-	-	-	56,500
Change in Net Assets	88,765	(104,879)	6,640	(9,474)	255,496
Net Assets, Beginning of Year	2,788,238	912,712	151,000	3,851,950	3,596,454
Net Assets, End of Year	$ 2,877,003	$ 807,833	$ 157,640	$ 3,842,476	$ 3,851,950

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (9,474)	$ 255,496
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	45,392	44,296
Gain on extinguishment of deferred compensation liability	-	(56,500)
Change in value of beneficial interest in assets held by The Summit Foundation	(6,640)	-
Contributions restricted to permanent endowment	-	(150,000)
Changes in operating assets and liabilities		
Accounts receivable, net	(356)	(3,389)
Promises to give, net	(14,150)	234,050
Prepaid expenses and other assets	(23,717)	19,343
School store inventory	(1,933)	2,099
Accounts payable	12,383	543
Accrued liabilities	32,882	41,438
Deferred revenue	(19,727)	43,538
Deferred compensation	-	(22,500)
Net Cash from Operating Activities	14,660	408,414
Cash Flows from Investing Activities		
Purchases of property and equipment	(119,945)	(20,007)
Withdrawals from cash restricted for long-term purposes	47,069	-
Additions to cash restricted to endowment	(75,000)	(50,000)
Net Cash used for Investing Activities	(147,876)	(70,007)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	75,000	50,000
Net Cash from Investing Activities	75,000	50,000
Net Change in Cash and Cash Equivalents	(58,216)	388,407
Cash and Cash Equivalents, Beginning of Year	1,110,142	721,735
Cash and Cash Equivalents, End of Year	$ 1,051,926	$ 1,110,142

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. We believe that the power of inspiring critical thinking and curiosity through the lens of science changes lives and strengthens communities.

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. Forty 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 2016, approximately 6,900 youth and adults directly participated in our programs, including 1,000 children who attended Camp Programs, 4,100 children and teachers who participated in School Programs, 1,500 children and adults reached by our Community Programs, and over 200 volunteers. Our Educator Programs also trained 111 teachers, each of whom will reach another 150 students in the coming school year for an additional 16,650 children receiving hands-on STEM lessons (Science, Technology, Engineering, and Math) 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 teen leadership programs.

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 state 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 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. Serving all six local elementary schools, our CATCH (Coordinated Approach to Child Health) Afterschool program is designed to promote healthy physical activity and eating behaviors in children. To further impact the community, our Girls in STEM program empowers girls in 3rd to 7th grade to explore STEM topics in a supportive learning environment. Additional 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, 2015, 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 $1,319 and $2,595 at December 31, 2016 and 2015, 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 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, 2016 and 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, 2016 and 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, 2016 and 2015.

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 the School. 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

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. Permanently restricted net assets include our beneficial interest held by and a promise to give restricted for the transfer to The Summit Foundation.

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. During the years ended December 31, 2016 and 2015 donated professional services totaled $10,728 and $0, respectively.

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. The School 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 22, 2017, the date the financial statements were available to be issued.

Note 2 - 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, 2016 and 2015.

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, 2016 and 2015.

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 The Summit Foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2016:

Beginning balance	$	-
Transfer of endowment assets to The Summit Foundation		126,000
Interest and dividends		2,197
Net realized and unrealized gain		5,077
Investment management fees		(634)
Ending balance	$	132,640
Unrealized gain included in change in beneficial interest in assets held by The Summit Foundation in the statement of activities relating to assets still held at December 31, 2016	$	4,405

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2016 and 2015:

	2016	2015
Within one year	$ 67,000	$ 122,850
In one to five years	20,000	25,000
	$ 87,000	$ 147,850

Promises to give due in more than one year were not discounted to present value because the amount of the discount was immaterial. At December 31, 2016, three donors accounted for 92% of total promises to give. At December 31, 2015, one donor accounted for 68% of promises to give. At December 31, 2016 and 2015, $25,000 and $100,000 of promises to give were restricted to permanent endowment, respectively.

Note 4 - Property and Equipment

Property and equipment consists of the following at December 31, 2016 and 2015:

	2016	2015
Buildings and improvements	$ 718,009	$ 669,498
Computers and telecommunications	20,323	15,723
Office equipment	29,903	21,454
Vehicles	8,000	8,000
	776,235	714,675
Less accumulated depreciation	(163,905)	(118,513)
	612,330	596,162
Land	1,747,398	1,747,398
Construction-in-progress	58,385	-
	$ 2,418,113	$ 2,343,560

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015, consist of:

	2016	2015
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	$ 30,000	$ -
Restricted by donors for		
Administrative Office building	352,931	400,000
Camp programs	91,956	84,857
Educator programs	121,000	243,209
Community programs	161,286	128,399
School programs	50,660	56,247
	$ 807,833	$ 912,712

Net assets were released from restrictions as follows during the years ended December 31, 2016 and 2015:

	2016	2015
Satisfaction of purpose restrictions		
Administrative Office building	$ 47,069	$ -
Camp programs	67,256	77,279
Educator programs	449,398	427,732
Community programs	311,277	228,332
School programs	52,892	94,839
	$ 927,892	$ 828,182

Note 6 - Functionalized expenses

Total expenses by function were as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Program services (including depreciation of $1,991 and $80)	$ 1,949,330	$ 1,699,468
Administrative (including depreciation of $42,813 and $39,970)	553,113	521,260
Fundraising (including depreciation of $588 and $3,526)	172,658	119,196
Cost of goods sold	18,409	15,932
Cost of direct benefits to donors	13,890	10,874
	$ 2,707,400	$ 2,366,730

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 2016 and 2015, we contributed $24,237 and $19,838 to the Plan, respectively.