Financial Statements
From March 1, 2013 (Date of Inception) to
December 31, 2013

Keystone Science School

Independent Auditor's Report

The Board of Directors
Keystone Science School
Keystone, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of Keystone Science School, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the period from March 1, 2013 (Date of Inception) to December 31, 2013, 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 as of December 31, 2013, and the changes in its net assets and its cash flows for the period from March 1, 2013 (Date of Inception) to December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Golden, Colorado
February 20, 2014

Assets		
Cash and cash equivalents	$	521,495
Accounts receivable, net		45,538
Promises to give, net		41,322
Prepaid expenses and other assets		21,537
School store inventory		18,054
Cash restricted for long-term purposes		400,000
Property and equipment, net		2,388,201
Total assets	$	3,436,147
Liabilities and Net Assets		
Accounts payable	$	34,212
Accrued liabilities		51,464
Deferred revenue		89,071
Deferred compensation		85,000
Total liabilities		259,747
Net assets		
Unrestricted	$	2,407,590
Temporarily restricted		768,810
Total net assets		3,176,400
Total liabilities and net assets	$	3,436,147

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue, net of scholarships of $47,667	$ 1,097,525	$ -	$ 1,097,525
Contributions	269,128	1,609,261	1,878,389
Gross special event revenue	43,814	-	43,814
Less cost of direct benefits to donors	(15,257)	-	(15,257)
Net special event revenue	28,557		28,557
School store sales	19,525	-	19,525
Less cost of goods sold	(22,346)	-	(22,346)
Net school store sales	(2,821)	-	(2,821)
Miscellaneous income	9,927	-	9,927
Net assets released from program restrictions	840,451	(840,451)	-
Total revenue and support	2,242,767	768,810	3,011,577
Expenses			
Program services	1,577,458	-	1,577,458
Administrative	422,289	-	422,289
Fundraising	65,863	-	65,863
Total expenses	2,065,610	-	2,065,610
Change in net assets before depreciation and *Campaign for KSS*	177,157	768,810	945,967
Depreciation	(31,981)	-	(31,981)
Change in net assets before *Campaign for KSS*	145,176	768,810	913,986
Campaign for KSS contributions	-	2,262,414	2,262,414
Campaign for KSS net assets released from restrictions	2,262,414	(2,262,414)	-
Change in Net Assets	2,407,590	768,810	3,176,400
Net Assets, At Inception	-	-	-
Net Assets, End of Year	$ 2,407,590	$ 768,810	$ 3,176,400

Cash Flows from Operating Activities	
Change in net assets	$ 3,176,400
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Contributions restricted for the purchase of the School	(2,262,414)
Depreciation	31,981
Contributions restricted for long-term purposes	(400,000)
Changes in operating assets and liabilities	
Accounts receivable, net	29,422
Promises to give, net	(40,072)
Prepaid expenses and other assets	(21,537)
School store inventory	(2,509)
Accounts payable	10,859
Accrued liabilities	27,199
Deferred revenue	(65,145)
Deferred compensation liability	(6,000)
Net Cash from (used for) Operating Activities	$ 478,184
Cash Flows from Investing Activities	
Purchase of the School	(2,167,203)
Purchases of property and equipment	(51,900)
Additions to cash restricted for long-term purposes	(400,000)
Net Cash from (used for) Investing Activities	(2,619,103)
Cash Flows from Financing Activities	
Collections of cash restricted for purchase of the School	2,262,414
Collections of cash restricted for long-term purposes	400,000
Net Cash from (used for) Financing Activities	2,662,414
Net Change in Cash and Cash Equivalents	521,495
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	$ 521,495

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Since 1976, Keystone Science School (the School, KSS, we, us, our) has taught scientific principles and leadership skills to young people, teachers, and community members through engaging, hands-on field experiences. Participants work together to develop critical thinking skills as they explore nature and science education. Formerly a program of The Keystone Center—a nonprofit public policy and educational organization—Keystone Science School became an independent nonprofit organization on March 1, 2013 (Note 2).

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

During 2013, nearly 6,100 children and adults participated in Keystone Science School programs, including 838 children who attended Camp Programs, 4,464 children who participated in School Programs, and more than 600 children and adults who participated in our growing Community Programs. Our Educator Programs delivered advanced training on new approaches to STEM (Science, Technology, Engineering and Math) education to 174 teachers.

Camp Programs

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

School Programs

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

Educator Programs

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

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. These programs include subject-driven retreats and trainings, astronomy, and Wilderness First Aid courses.

Hands on the Land

Hands on the Land is a national network of field classrooms and agency resources to connect students, teachers, families, and volunteers with public lands and waterways. *Hands on the Land* brings classroom learning to life in America's largest classroom. America's national forests, national parks, national wildlife refuges, waterways, and other public lands comprise nearly one-third the area of the United States, and thus offer unique teaching and learning opportunities. Within the communities of *Hands on the Land* sites, public, non-profit, and private partners customize hands-on experiences using local natural, historical, and archaeological settings to bring classroom learning to life.

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, regardless of original length to maturity, 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 uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and review of subsequent collections. Accounts receivable are written off when deemed uncollectable. Our allowance was $1,061 at December 31, 2013.

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. All promises to give at December 31, 2013 were receivable in one year or less, therefore we did not record a discount. 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, 2013, and therefore have not established an allowance.

School Store Inventory

We maintain an inventory of school supplies and logo-wear for sale to students at the School. Inventory is stated at the lower of cost or market determined by the first-in, first-out method. We provided an allowance of $3,500 for inventory obsolescence at December 31, 2013.

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 remaining 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 value 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 indictors of asset impairment during the year ended December 31, 2013.

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.

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

The School reports 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 action of the School. We had no permanently restricted net assets at December 30, 2013.

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. We received approximately $74,000 in donated goods in the year ended December 31, 2013, all of which were for special events and used in our fundraising efforts.

Functional Allocation of Expenses

We allocate the costs of conducting our programs and supporting services activities among the programs and supporting services benefited. The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. See Note 5 for total expenses by function.

Income Taxes

The School is organized as 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 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 private foundations under Section 509(a)(2). The School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the School is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. We determined we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

We believe that we have appropriate support for any tax positions taken affecting our annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. The School would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties were incurred.

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 the date of Independent Auditor’s Report, the date the financial statements were available to be issued.

Note 2 - *Campaign for KSS*

Keystone Science School was incorporated as a nonprofit entity on January 4, 2013, and began operations as an independent entity on March 1, 2013. To establish itself as an independent entity, the School purchased certain land, buildings and other assets from The Keystone Center in exchange for cash and the assumption of certain liabilities as presented in the table below:

Assets Received		Cash paid and liabilities assumed	
Cash	$ 25,901	Cash paid	$ 1,844,214
Accounts receivable, net	74,960	Accounts payable and accrued liabilities	47,618
Promises to give, net	1,250	Deferred revenue	154,216
School store inventory	15,545	Deferred compensation	91,000
Property and equipment	2,368,282	Temporarily restricted net assets	348,890
	$ 2,485,938		$ 2,485,938

Funding for the acquisition was obtained through new and continued support from the community as part of our *Campaign for KSS,* which raised approximately $2.3 million. In addition to the assets acquired, all program staff associated with the School transferred to the newly established entity.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2013:

Buildings and improvements	$ 627,616
Computer and telecommunications	15,723
Office equipment	15,602
	658,941
Less accumulated depreciation	(31,981)
	626,960
Land	1,747,398
Construction-in-progress	13,843
	$ 2,388,201

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013, consist of:

Restricted by donors for		
Administrative Office building	$	400,000
Camp programs		88,361
Educator programs		194,586
School programs		85,863
	$	768,810

Net assets were released from restrictions as follows during the period ended December 31, 2013:

Satisfaction of purpose restrictions		
Program restrictions		
Camp programs	$	71,530
Educator programs		561,625
School programs		207,296
		840,451
Campaign for KSS - Land and building purchase		2,262,414
	$	3,102,865

Note 5 - Functionalized expenses

Total expenses by function were as follows for the year ended December 31, 2013:

Program services (including cost of goods sold of $22,346 and depreciation of $26,355)	$	1,626,159
Administrative (including depreciation of $1,430)		423,719
Fundraising (including cost of direct benefits to donors of $15,257 and depreciation of $4,196)		85,316
	$	2,135,194

Note 6 - Employee Benefits

We maintain a voluntary salary deferral and discretionary profit-sharing plan (Plan) qualified under Section 401(k) of the 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 2013, we contributed $13,805 to the Plan.

We share a deferred compensation liability with The Keystone Center under a non-eligible supplemental retirement plan (Non-eligible Plan) qualified under Section 457(f) of the IRC which covers our founder and former president. Under the terms of the Non-eligible Plan, we are required to make annual distributions of $22,500 to the founder for life. At December 31, 2013, the estimated present value of the future payments to be made under the Non-eligible Plan totaled $85,000. As described in Note 2, deferred compensation liability was assumed as part of the School purchase.