Financial Statements
December 31, 2017

Keystone Science School, Inc.

(With Comparative Totals for 2016)

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Denver, Colorado
March 27, 2018

Keystone Science School, Inc.
Statement of Financial Position
December 31, 2017
(with comparative totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents	$ 1,059,650	$ 1,051,926
Accounts receivable, net	104,154	55,712
Promises to give, net	1,714,265	62,000
Prepaid expenses and other assets	19,411	36,739
School store inventory	12,524	13,121
Cash restricted for building project	489,194	352,931
Property and equipment, net	2,589,128	2,418,113
Beneficial interest in assets held by The Summit Foundation	205,814	132,640
Promise to give restricted for transfer to The Summit Foundation	-	25,000
Total assets	$ 6,194,140	$ 4,148,182
Liabilities and Net Assets		
Accounts payable	$ 46,159	$ 49,360
Accrued liabilities	119,726	120,696
Deferred revenue	167,131	135,650
Total liabilities	333,016	305,706
Net Assets		
Unrestricted		
Undesignated	2,786,575	2,522,497
Board-designated operating reserve	200,000	354,506
	2,986,575	2,877,003
Temporarily restricted	2,668,735	807,833
Permanently restricted	205,814	157,640
Total net assets	5,861,124	3,842,476
Total liabilities and net assets	$ 6,194,140	$ 4,148,182

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Support, and Gains					
Program revenue, net of scholarships of $48,889	$ 1,651,612	$ -	$ -	$ 1,651,612	$ 1,440,167
School store sales	31,634	-	-	31,634	32,720
Less cost of goods sold	(14,584)	-	-	(14,584)	(18,409)
Net school store sales	17,050	-	-	17,050	14,311
Interest and other income	19,464	-	-	19,464	21,152
Contributions	366,581	2,882,252	25,000	3,273,833	1,141,211
Gross special event revenue	80,119	-	-	80,119	56,036
Less cost of direct benefits to donors	(24,615)	-	-	(24,615)	(13,890)
Net special event revenue	55,504	-	-	55,504	42,146
Change in value of beneficial interest in assets held by The Summit Foundation	-	-	23,174	23,174	6,640
Net assets released from restrictions	1,021,350	(1,021,350)		-	-
Total revenue, support, and gains	3,131,561	1,860,902	48,174	5,040,637	2,665,627
Expenses					
Program services expense					
Camp programs	793,082	-	-	793,082	619,359
School programs	671,536	-	-	671,536	565,921
Educator programs	268,337	-	-	268,337	340,740
Community programs	477,016	-	-	477,016	421,319
Total program services expense	2,209,971	-	-	2,209,971	1,947,339
Supporting services expense					
Administrative	521,855	-	-	521,855	510,300
Fundraising	234,879	-	-	234,879	172,070
Total supporting services expense	756,734	-	-	756,734	682,370
Total expenses	2,966,705	-	-	2,966,705	2,629,709
Change in net assets before depreciation	164,856	1,860,902	48,174	2,073,932	35,918
Depreciation	(55,284)	-	-	(55,284)	(45,392)
Change in Net Assets	109,572	1,860,902	48,174	2,018,648	(9,474)
Net Assets, Beginning of Year	2,877,003	807,833	157,640	3,842,476	3,851,950
Net Assets, End of Year	$ 2,986,575	$ 2,668,735	$ 205,814	$ 5,861,124	$ 3,842,476

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 2,018,648	$ (9,474)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	55,284	45,392
Change in value of beneficial interest in assets held by The Summit Foundation	(23,174)	(6,640)
Contributed property and equipment capitalized	(40,454)	(8,792)
Contributions restricted to building project	(1,735,997)	-
Contributions restricted to endowment held at The Summit Foundation	(25,000)	-
Changes in operating assets and liabilities		
Accounts receivable, net	(48,442)	(356)
Promises to give, net	(234,136)	(14,150)
Prepaid expenses and other assets	17,328	(23,717)
School store inventory	597	(1,933)
Accounts payable	(15,603)	12,383
Accrued liabilities	(970)	32,882
Deferred revenue	31,481	(19,727)
Net Cash from Operating Activities	(438)	5,868
Cash Flows from Investing Activities		
Purchases of property and equipment	(173,443)	(111,153)
(Additions to) withdrawals from cash restricted for building project	(136,263)	47,069
Transfers to endowment held by The Summit Foundation	(50,000)	(75,000)
Net Cash used for Investing Activities	(359,706)	(139,084)
Cash Flows from Financing Activities		
Collections of contributions restricted for endowment held by The Summit Foundation	50,000	75,000
Collections of contributions restricted to building project	317,868	-
Net Cash from Investing Activities	367,868	75,000
Net Change in Cash and Cash Equivalents	7,724	(58,216)
Cash and Cash Equivalents, Beginning of Year	1,051,926	1,110,142
Cash and Cash Equivalents, End of Year	$ 1,059,650	$ 1,051,926
Supplemental disclosure of non-cash investing activity		
Accounts payable for property and equipment	$ 12,402	$ -

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 2017, approximately 7,800 youth and adults directly participated in our programs, including 1,100 children who attended Camp Programs, 4,000 children and teachers who participated in School Programs, and 2,600 children and adults reached by our Community Programs. Our Educator Programs trained 100 teachers, each of whom will reach another 150 students in the coming school year for an additional 15,000 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 8th 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, 2016, 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 building project, to be cash and cash equivalents. Cash and highly liquid financial instruments held for building project 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 $3,819 and $1,319 at December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016.

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 The Summit Foundation. Permanently restricted net assets as of December 31, 2016 also included a promise to give restricted for 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. During the years ended December 31, 2017 and 2016 donated goods totaled $90,570 and $45,893, respectively. We record donated professional services at the respective fair values of the services received. During the years ended December 31, 2017 and 2016 donated professional services totaled $33,539 and $10,728, respectively (Note 7).

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 8 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 27, 2018, the date the financial statements were available to be issued.

Note 2 - Capital Campaign

Our substantial growth over the last decade has enabled us to nearly triple the number of participants we reach annually (from 2,800 in 2006 to 7,800 in 2017). However, this growth has come at a time when total facilities have increased by only a few hundred square feet. In response, we launched a capital campaign in 2017 designed to enable us to keep up with this growth by increasing working and living space for staff.

The project will have two components: a main "Hub" building for working and an "Instructor Village" for living. The "Hub" will be a 5,800 square foot building 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, the Hub will provide much-needed meeting, teaching, and office space.

The "Instructor Village" will add small, modern cabins for instructors and camp counselors. 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 fundraising and construction includes plans for two cabins. However, the Village design will allow for smart future growth as funding is available.

We expect to sign a Guaranteed Maximum Price contract with our general contractor in the spring of 2018, break ground in the early summer 2018, and complete construction by summer 2019. Total costs are estimated to be approximately $3.7 million, including both construction and administration of the capital campaign and project.

Although we were in a silent phase of fundraising throughout 2017, as of December 31, 2017, we have received cash, promises to give, and in-kind contributions totaling $2.2 million. We will enter the public phase of our campaign in mid-2018.

Note 3 - 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, 2017 and 2016.

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, 2017 and 2016.

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 years ended December 31, 2017 and 2016:

	2017	2016
Beginning balance	$ 132,640	$ -
Transfer of endowment assets to The Summit Foundation	-	126,000
Contributions	50,000	-
Interest and dividends	4,046	2,197
Net realized and unrealized gain	19,733	5,077
Investment management fees	(605)	(634)
Ending balance	$ 205,814	$ 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, 2017	$ 18,782	$ 4,405

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2017 and 2016:

	2017	2016
Within one year	$ 1,030,238	$ 67,000
In one to five years	716,433	20,000
	1,746,671	$ 87,000
Less discount to net present value at 3.75%	(32,406)	-
	$ 1,714,265	$ 87,000

At December 31, 2017, two donors accounted for 35% of total promises to give. At December 31, 2016, three donors accounted for 92% of promises to give. Promises to give due in more than one year were not discounted to present value in 2016 because the amount of the discount was immaterial.

Of total promises to give at December 31, 2017, $1,423,619 was restricted by donors for the capital campaign described in Note 2.

Note 5 - Property and Equipment

Property and equipment consists of the following at December 31, 2017 and 2016:

	2017	2016
Buildings and improvements	$ 718,009	$ 718,009
Computers and telecommunications	15,723	20,323
Program and office equipment	97,909	29,903
Vehicles	8,000	8,000
	839,641	776,235
Less accumulated depreciation	(218,166)	(163,905)
	621,475	612,330
Land	1,747,398	1,747,398
Construction-in-progress	220,255	58,385
	$ 2,589,128	$ 2,418,113

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016, consist of:

	2017	2016
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	$ 199,137	$ 30,000
Restricted by donors for		
Building project	1,912,813	352,931
Camp programs	74,835	91,956
Educator programs	39,920	121,000
Community programs	385,963	161,286
School programs	36,067	50,660
Future operations	20,000	-
	$ 2,668,735	$ 807,833

Net assets were released from restrictions as follows during the years ended December 31, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Building project	$ 215,997	$ 47,069
Camp programs	58,765	67,256
Educator programs	282,730	449,398
Community programs	330,363	311,277
School programs	133,495	52,892
	$ 1,021,350	$ 927,892

Note 7 - Donated Professional Services and Materials

We received donated professional services and materials as follows during the years ended December 31, 2017 and 2016:

	Program Services	Administrative	Fundraising	Total
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
December 31, 2016				
Educational supplies	$ 5,571	$ -	$ -	$ 5,571
Special event food and beverage and items for resale	-	418	38,429	38,847
Technology services and supplies	625	1,936	500	3,061
Repairs and maintenance	350	-	-	350
	$ 6,546	$ 2,354	$ 38,929	$ 47,829

In addition to the above, the value of capitalized donated goods and services totaled $40,454 and $8,792 for the years ended December 31, 2017 and 2016, respectively.

Note 8 - Functionalized expenses

Total expenses by function were as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Program services (including depreciation of $50,614 and $38,446)	$ 2,260,585	$ 1,985,785
Administrative (including depreciation of $4,670 and $6,946)	526,525	517,246
Fundraising	234,879	172,070
Cost of goods sold	14,584	18,409
Cost of direct benefits to donors	24,615	13,890
	$ 3,061,188	$ 2,707,400

Note 9 - 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 2017 and 2016, we contributed $31,123 and $24,805 to the Plan, respectively.