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**THE RUDOLF STEINER SCHOOL ASSOCIATION  
OF ANN ARBOR**

Financial Statements  
as of and for the years ended  
June 30, 2021 and 2020,  
and Independent Auditors' Report

**WSR**

Certified Public Accountants

Accounting, Tax, Attest, Advisory.

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# **THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Rudolf Steiner School Association of Ann Arbor

### Report on the Financial Statements

We have audited the accompanying financial statements of The Rudolf Steiner School Association of Ann Arbor (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses 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 The Rudolf Steiner School Association of Ann Arbor as of June 30, 2021, 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 Rudolf Steiner School Association of Ann Arbor's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated February 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Emphasis of Matter – Adoption of Accounting standard**

As discussed in Note A to the financial statements, in 2021, Rudolf Steiner School Association of Ann Arbor adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

*WSR Certified Public Accountants, P.C.*  
WSR Certified Public Accountants, P.C.

September 21, 2021  
Ann Arbor, Michigan

**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,127,017	\$ 2,682,508
Accounts receivable	13,406	19,505
Capital campaign receivable - current portion	45,330	33,514
Prepaid expenses and supplies	13,383	22,660
Total current assets	<u>3,199,136</u>	<u>2,758,187</u>
Non-current assets		
Capital campaign receivable - net of current portion	28,630	118,763
Allowance for doubtful accounts	(36,400)	(60,000)
Endowment (Note M)	313,529	247,336
Restricted cash (Note O)	535,359	450,650
Property and equipment - net (Note E)	6,822,362	7,037,936
Capitalized loan costs - net (Note F)	105,093	111,560
Total non-current assets	<u>7,768,573</u>	<u>7,906,245</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,967,709</u></u>	<u><u>\$ 10,664,432</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 35,836	\$ 31,802
Accrued expenses	49,931	23,700
Class and club activity deposits	42,138	29,276
Enrollment deposits	159,400	133,200
Prepaid tuition	470,008	355,276
Advance donations	30,520	400
Note payable - current portion	176,693	454,786
Total current liabilities	<u>964,526</u>	<u>1,028,440</u>
Long-term liabilities		
Note payables - net of current portion (Note H)	4,031,101	4,527,883
Total long-term liabilities	<u>4,031,101</u>	<u>4,527,883</u>
Total Liabilities	<u>4,995,627</u>	<u>5,556,323</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	4,541,489	3,827,769
Board designated (Note K)	527,321	450,480
Total net assets without donor restrictions	<u>5,068,810</u>	<u>4,278,249</u>
With donor restrictions (Note L)	903,272	829,860
<b>TOTAL NET ASSETS</b>	<u>5,972,082</u>	<u>5,108,109</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 10,967,709</u></u>	<u><u>\$ 10,664,432</u></u>

**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Summary Total 2020
<b>REVENUE AND SUPPORT</b>				
Tuition and fees	\$ 5,304,425	\$ -	\$ 5,304,425	\$ 5,397,607
Less: financial assistance and scholarships	(1,628,770)	-	(1,628,770)	(1,478,249)
Net tuition and fees	3,675,655	-	3,675,655	3,919,358
Auxiliary programs	65,354	-	65,354	118,317
Contributions	326,095	108,309	434,404	387,125
Grant revenue - PPP loan proceeds	604,455	-	604,455	-
Fundraising events - net (Note N)	3,872	-	3,872	28,658
Investment income - net (Note D)	18,727	50,823	69,550	10,873
	4,694,158	159,132	4,853,290	4,464,331
Net assets released from restrictions (Note J)	85,720	(85,720)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>4,779,878</b>	<b>73,412</b>	<b>4,853,290</b>	<b>4,464,331</b>
<b>EXPENSES</b>				
Program services				
Lower school academics	1,991,430	-	1,991,430	2,172,706
High school academics	1,484,285	-	1,484,285	1,509,699
Child care and camps	42,989	-	42,989	154,793
<b>Total Program Services</b>	<b>3,518,704</b>	<b>-</b>	<b>3,518,704</b>	<b>3,837,198</b>
Management and general	363,633	-	363,633	441,995
Fundraising	107,000	-	107,000	128,804
<b>Total Supporting Services</b>	<b>470,633</b>	<b>-</b>	<b>470,633</b>	<b>570,799</b>
<b>TOTAL EXPENSES</b>	<b>3,989,337</b>	<b>-</b>	<b>3,989,337</b>	<b>4,407,997</b>
<b>INCREASE IN NET ASSETS</b>	<b>790,541</b>	<b>73,412</b>	<b>863,953</b>	<b>56,334</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,278,269</b>	<b>829,860</b>	<b>5,108,129</b>	<b>5,051,775</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,068,810</b>	<b>\$ 903,272</b>	<b>\$ 5,972,082</b>	<b>5,108,109</b>

**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 863,953	\$ 56,334
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	230,399	245,084
Forgiveness of Paycheck Protection Program loan	(604,455)	-
Unrealized and realized gains on investments	(60,882)	(4,289)
Provision for allowance for doubtful accounts	(23,600)	(40,000)
(Increase)/decrease in operating assets:		
Accounts receivable	6,099	44,769
Capital Campaign receivable, net	78,317	73,673
Prepaid expenses and supplies	9,277	1,146
(Decrease)/increase in operating liabilities:		
Accounts payable	4,034	2,568
Accrued expenses	26,231	(69,503)
Class and club activity deposits	12,862	(10,596)
Enrollment deposits	26,200	(1,950)
Prepaid tuition	114,732	(481,300)
Advance donations	30,120	(3,550)
Net cash provided (used) by operations	<u>713,287</u>	<u>(187,614)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(79,105)	(73,431)
Proceeds from sale of investments	73,815	74,269
Purchase of property and equipment	<u>(8,358)</u>	<u>(174,572)</u>
Net cash used by investing activities	<u>(13,648)</u>	<u>(173,734)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	604,455
Proceeds from EIDL program	-	150,000
Payments on note payables	<u>(170,421)</u>	<u>(164,253)</u>
Net cash provided (used) by financing activities	<u>(170,421)</u>	<u>590,202</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	529,218	228,854
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>3,133,158</u>	<u>2,904,304</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>\$ 3,662,376</u></u>	<u><u>\$ 3,133,158</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u><u>\$ 230,399</u></u>	<u><u>\$ 131,195</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
Donated Securities	<u><u>\$ 60,029</u></u>	<u><u>\$ -</u></u>
Forgiveness of Paycheck Protection Program loan	<u><u>\$ 604,455</u></u>	<u><u>\$ -</u></u>

**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	Program Services				Supporting Services			Summary
	Lower School Academics	High School Academics	Child Care and Camps	Program Services	Management and General	Fundraising	Total 2021	Total 2020
Salaries	\$ 1,225,097	\$ 815,432	\$ 19,241	\$ 2,059,770	\$ 296,897	\$ 78,913	\$ 2,435,580	\$ 2,664,386
Payroll taxes	87,761	58,414	1,378	147,553	21,269	5,653	174,475	197,865
Employee benefits	148,215	37,859	255	186,329	12,110	1,041	199,480	255,033
Outside services	18,389	13,650	3,800	35,839	10,666	155	46,660	71,428
Occupancy	132,706	98,247	12,064	243,017	2,252	965	246,234	250,338
Technology expense	30,488	25,549	-	56,037	6,957	15,568	78,562	72,131
Community building and outreach	-	-	-	-	1,054	412	1,466	36,625
Telephone and internet	10,755	8,429	-	19,184	2,623	-	21,807	20,957
Office supplies and expenses	11,807	11,263	23	23,093	2,722	2,008	27,823	38,985
COVID-19 related expenses	34,632	40,582	316	75,530	2,537	633	78,700	-
Postage and shipping	20	-	-	20	-	154	174	1,460
Program activities, materials and supplies	103,784	85,980	4,719	194,483	-	636	195,119	232,860
Dues and subscriptions	19,805	6,889	-	26,694	-	-	26,694	32,746
Professional development	9,774	2,131	17	11,922	847	445	13,214	22,188
Advertising and promotion expense	27,619	9,607	-	37,226	-	-	37,226	34,091
Bad debt expense	12,595	6,850	-	19,445	-	25	19,470	51,935
Insurance	12,934	15,884	1,176	29,994	392	392	30,778	37,276
Fundraising events	-	-	-	-	-	7,171	7,171	12,862
Interest expense	22,586	102,890	-	125,476	-	-	125,476	142,609
Depreciation and amortization	82,463	144,629	-	227,092	3,307	-	230,399	245,084
Total expenses	1,991,430	1,484,285	42,989	3,518,704	363,633	114,171	3,996,508	4,420,859
Less expenses included with revenue on Statement of Activities:								
Fundraising events	-	-	-	-	-	(7,171)	(7,171)	(12,862)
Total	-	-	-	-	-	(7,171)	(7,171)	(12,862)
Total expenses shown on the Statement of Activities	<u>\$ 1,991,430</u>	<u>\$ 1,484,285</u>	<u>\$ 42,989</u>	<u>\$ 3,518,704</u>	<u>\$ 363,633</u>	<u>\$ 107,000</u>	<u>\$ 3,989,337</u>	<u>\$ 4,407,997</u>



**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Rudolf Steiner School Association of Ann Arbor (the school) was organized in 1978 as a Michigan nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. The school operates a private elementary and secondary school in the Ann Arbor, Michigan area, utilizing the teaching philosophy, methods, and practices known as Waldorf Education. Tuition represents the school's primary source of revenues.

The school opened its doors in 1980 with grades 1 through 4. Since then, the school has expanded by providing a full Pre-K through grade 12 program.

The school's program and supporting services are as follows:

**Program Services**

Academic Programs – The purpose of the school is to provide a robust Waldorf education for students from Pre-K through grade 12. By providing a consciously designed, age-specific curriculum, the school strives to cultivate curiosity, analytic thinking, empathy, and initiative.

Lower School instruction allows students in early childhood to develop social and organizational skills for lifelong learning. Students are engaged in discovery through curriculum that seamlessly integrates academics and fine arts with teachers who spend eight full years with their class.

High School instruction allows students to develop moral, intellectual, and aesthetic capacity through focused inquiry in seminar-style classes taught by specialists.

Also, the School offers students the opportunity to experience a foreign culture directly through exchange programs with other Waldorf schools abroad. The school values its international population and strives to both educate and learn from its diverse student population, blending cultures educationally, socially, and artistically into its program.

Child Care and Camps – Programs are offered to provide extended care programs during summer, fall, winter, and spring recess to assist working parents. These programs allow children to play outside, use the gym facilities, and participate in reading, art projects and board games.

**Management and General**

This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of the school's programs, and manage the financial and budgeting responsibilities of the school.

**Fundraising**

This provides the structure necessary to encourage and secure support from individuals, foundations, and government agencies.

**Significant Accounting Policies**

**Basis of Presentation**

The school reports its information regarding financial position and activities in accordance with the guidance in Financial Account Standards Board Accounting Standards Codification (FASB ASC) Topic 958 "Not-for-

***Note A – Summary of Significant Accounting Policies (continued)***

*Profit Entities.*” Accordingly, it uses two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The 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 GAAP. Accordingly, such information should read in conjunction with the school’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

***Basis of Accounting***

The School prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

The school considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio.

The School keeps its funds at a bank in the Southeast Michigan area. Such deposits are insured up to \$250,000 by FDIC. The school’s deposits more than \$250,000 for the year ended June 30, 2021 and 2020 were \$3,317,521 and \$2,264,728, respectively. The School moved money into an interest cash sweep account that is FDIC insured during the year ended June 30, 2021. The balance of this account for the year ended June 30, 2021 was \$2,508,749.

***Accounts and Capital Campaign receivable***

The school considers accounts receivable for tuition and fees to be fully collectible on June 30, 2021 and 2020, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Capital campaign receivable is recorded at the present value of its estimated future cash flows. An allowance for doubtful accounts is recognized based on a specific assessment of balances that remain unpaid following normal payment periods. Amounts deemed uncollectible are written off in the period that the determination is made.

***Investments***

Investments are recorded at fair market value, or for gifts of investment securities, market value at the date of the gift. Gains or losses on the disposition of investments are determined on the average cost basis. Investment income and realized and unrealized gains are reported in the statement of financial position and activities as increase in net assets without donor restrictions unless their use is with donor restrictions by explicit donor stipulation or law. Investment losses reduce net assets with donor restrictions only to the extent that donor restriction on net appreciation of the fund have not been met (or used) before the loss occurs. Any remaining losses are reported as net assets without donor restrictions.

***Property and Equipment***

Property and equipment are carried at cost or, if donated, at fair market value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of 5 to 45 years. The school’s policy is to capitalize acquisitions of \$1,000 or more. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

***Advance Donations***

Advance Donations represent additional obligations for which the condition will be met in the subsequent period.

***Note A – Summary of Significant Accounting Policies (continued)***

***Revenue and Support***

Revenue from student tuition and fees is reported in the year it is earned and the performance obligations are met. Student tuition and summer activity fees for the subsequent periods which extend beyond the end of the fiscal year are reported as revenue in the succeeding fiscal year when the related services are performed, obligations are satisfied, and the related expenses are incurred. The portion of tuition and fees which is to be recognized in future periods is reflected as prepaid tuition and is typically non-refundable. Tuition and fees are typically collected monthly over the duration of the school year.

Auxiliary programs include revenue primarily related to the campus facilities and athletics. An auxiliary program exists to furnish goods or services to students, faculty, staff, or incidentally to the public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary program is that it is managed as an essentially self-supporting activity. Revenue is recognized as the performance obligations are met. Auxiliary programs are typically collected monthly over the duration of the program.

The school may receive gifts of cash and other assets with donor restrictions that limit the use of the donated assets. The donor restriction expires when a stipulated time restriction ends, or purpose restriction is accomplished. For gifts of cash and other assets for which the donor stipulation is met in the same period as the contribution, the contribution is reported as contributions without donor restrictions and included as increases in net assets without donor restrictions. Other donor restricted contributions would be reported as contributions with donor restrictions and included as increases within net assets with donor restrictions when received and reclassified to net assets without donor restrictions when restrictions expire.

Contributions of donated services that create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. The school pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the school with specific program activities.

***Functional Allocation of Expense***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated based on time and effort. Occupancy, program activities, materials and supplies are allocated based on usage. Interest expense, depreciation and amortization are allocated based on location of property and equipment. Bad debt expense is allocated based on type of receivable deemed uncollectible.

***Fair Value Disclosure***

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The school's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

***Risks and Uncertainties***

The school invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

***Enrollment Deposits***

Enrollment deposits are required for each new student. The deposit is automatically applied to each subsequent enrollment year and is refundable upon completion of the school year (less any amounts owed to the school) for non-returning students.

***Note A – Summary of Significant Accounting Policies (continued)***

***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty

of revenue and cash flows arising from contracts with customers. The school's financial statements reflect the application of ASC 606 guidance beginning in 2020. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the school's reported historical revenue.

In July 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires that a not-for-profit present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Various disclosures related to this standard are also required. The new standard is effective for annual periods beginning after June 15, 2021. Early implementation is permitted for all entities. The school has not early adopted and is currently evaluating the effect the provisions of ASU 2020-07 will have on the financial statements.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the school's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending June 30, 2023. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's financial statements.

***Subsequent Events***

Management has evaluated the effect of subsequent events through September 21, 2021, the date the financial statements were available for issue.

**NOTE B - FAIR VALUE MEASUREMENTS**

The school has adopted FASB ASC Topic 820, "Fair Value Measurements", which defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Topic 820 are described as follows:

*Level 1*            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the school can access.

*Level 2*            Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in inactive markets.
- inputs other than quoted prices that are observable for the asset or liability.
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

**Note B – Fair Value Measurements (Continued)**

*Level 3*            Inputs to the valuation methodology are unobservable and significant to the fair value measurement

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability 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 projections market participants would use in developing a price that would be received to sell an asset or paid to transfer a liability based on the best information available in the circumstances. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The school's assessment of the significance of inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table summarizes the school's level 1 and 2 inputs used to determine their values on June 30:

<b>SECURITY</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b><u>JUNE 30, 2021</u></b>			
Money market funds	\$ -	\$ 4,421	\$ 4,421
Mutual funds	266,749	-	266,749
Exchange traded products	42,359	-	42,359
Total	<u>\$ 309,108</u>	<u>\$ 4,421</u>	<u>\$ 313,529</u>
<b><u>JUNE 30, 2020</u></b>			
Money market funds	\$ -	\$ 9,977	\$ 9,977
Mutual funds	207,778	-	207,778
Exchange traded products	29,581	-	29,581
Total investments	<u>\$ 237,359</u>	<u>\$ 9,977</u>	<u>\$ 247,336</u>

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ending June 30:

	<b>Level 3</b>	
<b><u>Capital Campaign Receivable</u></b>	<b>2021</b>	<b>2020</b>
Beginning balance, carrying value	\$ 152,277	\$ 225,950
Increase in capital campaign receivable	-	53,519
Payments received	(54,742)	(109,386)
Write-offs	<u>(23,575)</u>	<u>(17,806)</u>
Ending balance, carrying value	73,960	152,277
Less: allowance for doubtful accounts	<u>(36,400)</u>	<u>(60,000)</u>
Ending balance, net of allowances	<u>\$ 37,560</u>	<u>\$ 92,277</u>

**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL CAMPAIGN RECEIVABLE**

Unconditional promises are recognized as receivable and as revenues in the period in which the school is notified by the donor of the commitment to contribute. Conditional promises are recognized when the conditions on which they depend are substantially met. Capital campaign receivable is recorded at the present value of its estimated future cash flows. On June 30, 2021, and 2020, the capital campaign receivable allowance was \$34,600 and \$60,000, respectively.

Capital campaign receivable due for the year ending June 30, 2021, are as follows:

Receivable in one year	\$ 45,330
Receivable in two to five years	25,923
Receivable after five years	2,707
	<u>\$ 73,960</u>

**NOTE D - INVESTMENT INCOME**

The following schedule details the investment income in the statements of activities for the year ended June 30:

	2021	2020
Investment income	\$ 10,896	\$ 8,579
Realized gain on sale of investments	17,428	8,430
Unrealized gain (loss) on investments	43,454	(4,141)
Investment fees	(2,228)	(1,995)
	<u>\$ 69,550</u>	<u>\$ 10,873</u>

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	2021	2020
Furniture and equipment	\$ 511,798	\$ 510,701
Building and improvements	7,832,697	7,825,437
Land improvements	813,993	813,993
Land	645,122	645,122
	<u>9,803,610</u>	<u>9,795,253</u>
Less: accumulated depreciation	(2,981,248)	(2,757,317)
Property and equipment, net	<u>\$ 6,822,362</u>	<u>\$ 7,037,936</u>

Depreciation expense was \$223,932 and \$238,617 for the years ended June 30, 2021 and 2020, respectively.

**NOTE F - LOAN COSTS**

Loan costs were incurred to refinance the school's bank mortgage debt in the year ending June 30, 2021, and 2020 are amortized over a twenty-year period using the straight-line method. Loan costs were the following as of June 30:

	2021	2020
Loan costs	\$ 129,344	\$ 129,344
Less: accumulated amortization	(24,251)	(17,784)
Loan costs, net	<u>\$ 105,093</u>	<u>\$ 111,560</u>

Amortization expense was \$6,467 for both years ended June 30, 2021 and 2020.

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**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE G - OPERATING LEASES**

The school is obligated under leases for office equipment expiring on various dates through 2025.

Future minimum lease payments are as follows for the years ending June 30:

2022	\$ 17,992
2023	11,184
2024	346
2025	86
	<u>\$ 29,608</u>

Rental expense for the office equipment was approximately \$18,000 and \$8,200 for the years ended June 30, 2021 and 2020, respectively.

**NOTE H - NOTE PAYABLES**

Notes payable, net of current portion consists of the following loans as of June 30:

	2021	2020
Note Payable - Bond	\$ 4,057,794	\$ 4,228,214
Paycheck Protection Program Loan	-	604,455
Economic Injury Disaster Loan	150,000	150,000
Less current portion	(176,693)	(454,786)
	<u>\$ 4,031,101</u>	<u>\$ 4,527,883</u>

Future payments are as follows for the years ending June 30:

2022	\$ 307,969
2023	315,213
2024	315,213
2025	315,213
2026	315,213
Thereafter	3,130,028
Total minimum payments	4,698,849
Less amount representing interest	(491,055)
Present value of minimum payments	4,207,794
Less current portion	(176,693)
Note payables - net of current portion	<u>\$ 4,031,101</u>

***Note Payable - Bond***

On September 28, 2017, the School refinanced and received a loan commitment in the amount of \$2,716,217. Simultaneously, with the transfer of the mortgage, the school received a Non-Bank Qualified Direct Placement Tax-Exempt Bond commitment in the amount of \$4,500,000. The terms of the bond are as follows: interest only for 12 months, followed by monthly principal and interest payments sufficient to retire the debt in 20 years. Interest rates were locked as of the bond closing date at a 7-year optional tender – fixed at 65% of (7-year FHLB cost of funds plus 250 bps) which equates to 3.24%. The note payable is secured by land and buildings.

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**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

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***Note H – Note Payables (Continued)***

The school met the covenant requirements for the year ended June 30, 2021. The school did not meet certain debt service and capital expenditure covenants required under the bond agreement for the year ended June 30, 2020, and therefore received a covenant waiver from the debt service provider.

***Paycheck Protection Program Loan***

On April 28, 2020, the School received loan proceeds in the amount of \$604,455 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying business’ and non-profits in amounts of up to 2.5 times the business’ or non-profit’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the school terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for six months after the end of the covered period.

The PPP loan was fully forgiven on March 21, 2021. The school therefore recognized the PPP loan in the amount of \$604,455 as grant revenue on the Statements of Activities.

***Economic Injury Disaster Loan***

On June 10, 2020, the School received \$150,000 under the COVID-19 Economic Injury Disaster Loan program created as part of the relief effort for COVID-19 and administered by the Small Business Administration. The loan accrues interest at 2.75%. Loan payments begin June 2022 at \$641 per month. The duration of the loan is for 30 years. The loan is secured by land, building, equipment, intangible assets, and receivables.

**NOTE I - RETIREMENT PLAN**

The school maintains a tax-deferred annuity plan which qualifies under Internal Revenue Code Section 403 (b). After two years of employment, it is mandatory to enter the retirement plan. The school contributes 5 percent of a qualifying employee’s gross wages. Employees may voluntarily contribute up to the maximum IRS allowable amount. Vesting is full and immediate. Due to COVID-19 budget cuts and the need to reassess the 403b contributions for employees, the board suspended the school’s contributions for the year ended June 30, 2021. The total employer contribution was approximately \$0 and \$53,000 for the years ended June 30, 2021 and 2020, respectively.

**NOTE J - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

	2021	2020
Purpose restrictions:		
Acquisition of property and equipment	\$ 85,720	\$ 75,028
Total	<u>\$ 85,720</u>	<u>\$ 75,028</u>

**NOTE K - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Board of Directors of the School has voluntarily designated \$527,321 and \$450,480 as of June 30, 2021 and 2020, respectively, for the purpose of capital improvements and replacements.



**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE L - NET ASSETS WITH DONOR RESTRICTIONS**

The following schedule details the various restrictions and their purpose for the years ended June 30:

	2021	2020
Purpose restrictions:		
Restricted program donations	\$ 63,338	\$ 70,741
Investments from endowment	166,115	115,293
Capital campaign	572,919	542,926
Total purpose restrictions	<u>802,372</u>	<u>728,960</u>
Endowment funds:		
Remedial endowment fund:		
To assist in remedial services	5,400	5,400
General endowment fund:		
To assist in funding general operations	21,400	21,400
Seyhan Ege memorial grant fund		
To provide tuition grants	51,000	51,000
Ege award		
To assist in excellence awards	23,100	23,100
Total endowment funds	<u>100,900</u>	<u>100,900</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 903,272</u></u>	<u><u>\$ 829,860</u></u>

**NOTE M - ENDOWMENT FUND CHANGES**

The school's endowments consist of investment funds and securities established for various purposes. Its net assets are without donor restrictions and with donor restrictions. As required by generally accepted accounting principles, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets were the following for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Beginning of year	\$ 31,145	\$ 216,191	\$ 247,336
Investment return - net	15,370	50,823	66,193
End of year	<u><u>\$ 46,515</u></u>	<u><u>\$ 267,014</u></u>	<u><u>\$ 313,529</u></u>

  

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Beginning of year	\$ 33,058	\$ 210,827	\$ 243,885
Investment return - net	(1,913)	5,364	3,451
End of year	<u><u>\$ 31,145</u></u>	<u><u>\$ 216,191</u></u>	<u><u>\$ 247,336</u></u>

**Interpretation of Relevant Law**

The board of directors of the school has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the school classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction is classified as net assets without donor restrictions unless otherwise specified by the donor. In accordance with UPMIFA, the School exercises the standard of ordinary

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**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

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***Note M – Endowment Fund Changes (Continued)***

business care and prudence when determining the amount of earnings and gains to appropriate for expenditure or to accumulate within the endowment fund. In accordance with UPMIFA, the School considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the fund
- The investment policies of the fund

**Return Objective and Spending Policy**

The endowment assets are governed by a spending policy that seeks to distribute a payout rate of the endowment base to support the school's programs and operations. The endowment base is defined on the historical value of the original gift. The distribution or payout rate is calculated based on 5 and 2 percent of the sixteen-quarter rolling average of the market value for the Remedial/General endowment fund and High School Tuition endowment fund, respectively. Such a policy will allow for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the school relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated as much as it is consistent with the volatility of a comparable market index.

**NOTE N - FUNDRAISING EVENTS**

Net revenue from fundraising events is summarized as follows for the years ended June 30:

	2021	2020
Aggregate revenue	\$ 11,043	\$ 41,520
Less: related expenses	(7,171)	(12,862)
	<u>\$ 3,872</u>	<u>\$ 28,658</u>

**NOTE O - RESTRICTED CASH**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows for the years ending June 30:

	2021	2020
Cash and cash equivalents	\$ 3,127,017	\$ 2,682,508
Restricted cash	535,359	450,650
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 3,662,376</u>	<u>\$ 3,133,158</u>

Amounts included in restricted cash represent funds required to be set aside by donors to support educational programs; a stability fund to pay off long term debt, and an Endowment fund.

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**THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE P - LIQUIDITY AND AVAILABILITY**

The school has an investment policy that requires monitoring of liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment growth of its available funds at a reasonable rate. During the years ended June 30, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

The school has various sources of liquidity at its disposal. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following for the years ending June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,662,376	\$ 3,133,158
Endowment	<u>313,529</u>	<u>247,336</u>
	3,975,905	3,380,494
Less purpose and endowment fund restricted net assets	<u>(903,272)</u>	<u>(829,860)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,072,633</u>	<u>\$ 2,550,634</u>

As described in note K, the Board has voluntarily designated net assets. These amounts were not excluded from the calculation of financial assets available to meet cash needs for general expenditures as the Board has the authority to use these funds for general expenditures if needed.

**NOTE Q - REVENUE RECOGNITION**

The following table shows the school's revenue disaggregated according to the timing of the transfer of services for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Revenue recognized over time		
Tuition and fees	\$ 5,304,425	\$ 5,397,607
Auxiliary programs	<u>65,354</u>	<u>118,317</u>
Total revenue recognized over time	<u>\$ 5,369,779</u>	<u>\$ 5,515,924</u>
	<u>2021</u>	<u>2020</u>
Accounts receivable		
Tuition and fees	\$ 13,406	\$ 19,505
Total accounts receivable	<u>\$ 13,406</u>	<u>\$ 19,505</u>
	<u>2021</u>	<u>2020</u>
Deferred revenue		
Class and club activity deposits	\$ 42,138	\$ 29,276
Enrollment deposits	159,400	133,200
Prepaid tuition	<u>470,008</u>	<u>355,276</u>
Total deferred revenue	<u>\$ 671,546</u>	<u>\$ 517,752</u>