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

Financial Statements
as of and for the years ended,
June 30, 2023 and 2022,
and Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of The Rudolf Steiner School Association of Ann Arbor (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Rudolf Steiner School Association of Ann Arbor and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Rudolf Steiner School Association of Ann Arbor's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Rudolf Steiner School Association of Ann Arbor's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Rudolf Steiner School Association of Ann Arbor's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Rudolf Steiner School Association of Ann Arbor's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully,

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

March XX, 2024
Ann Arbor, Michigan

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

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,716,309	\$ 3,557,440
Accounts receivable (net of allowance of \$30,000 and \$0, respectively)	28,313	49,619
Capital campaign receivable (Note C)	1,240	6,884
Grant Receivable	1,069,490	-
Prepaid expenses and supplies	38,166	6,754
Total current assets	<u>4,853,518</u>	<u>3,620,697</u>
Non-current assets		
Endowment (Note M)	295,602	269,083
Restricted cash (Note O)	586,996	577,304
Property and equipment - net (Note E)	6,453,784	6,629,086
Capitalized loan costs - net (Note F)	92,157	98,625
Total non-current assets	<u>7,428,539</u>	<u>7,574,098</u>
TOTAL ASSETS	<u><u>\$ 12,282,057</u></u>	<u><u>\$ 11,194,795</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 264,504	\$ 39,479
Accrued expenses	27,444	49,850
Class and club activity deposits	64,520	32,986
Enrollment deposits	172,100	170,100
Prepaid tuition	102,454	158,732
Advance donations	-	10
Note payable - current portion (Note H)	188,350	182,585
Total current liabilities	<u>819,372</u>	<u>633,742</u>
Long-term liabilities		
Note payables - net of current portion (Note H)	3,508,782	3,697,125
Total long-term liabilities	<u>3,508,782</u>	<u>3,697,125</u>
 Total Liabilities	 <u>4,328,154</u>	 <u>4,330,867</u>
NET ASSETS		
Without donor restrictions		
Undesignated	6,948,724	5,681,926
Board designated (Note K)	7,006	152,501
Total net assets without donor restrictions	<u>6,955,730</u>	<u>5,834,427</u>
With donor restrictions (Note L)	998,173	1,029,501
TOTAL NET ASSETS	<u><u>7,953,903</u></u>	<u><u>6,863,928</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,282,057</u></u>	<u><u>\$ 11,194,795</u></u>

THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Summary Total 2022
REVENUE AND SUPPORT				
Tuition and fees	\$ 6,169,031	\$ -	\$ 6,169,031	\$ 6,162,928
Less: financial assistance and scholarships	(1,945,804)	-	(1,945,804)	(2,008,285)
Net tuition and fees	4,223,227	-	4,223,227	4,154,643
Auxiliary programs	138,072	-	138,072	103,791
Contributions	381,301	9,691	390,992	927,741
Grant revenue - Employee Retention Credit	965,485	-	965,485	-
Fundraising events - net (Note N)	(16,379)	-	(16,379)	(3,116)
Investment income - net (Note D)	150,475	20,537	171,012	(42,033)
	5,842,181	30,228	5,872,409	5,141,026
Net assets released from restrictions (Note J)	61,556	(61,556)	-	-
TOTAL REVENUE AND SUPPORT	5,903,737	(31,328)	5,872,409	5,141,026
EXPENSES				
Program services				
Lower school academics	2,678,201	-	2,678,201	2,541,691
High school academics	1,194,829	-	1,194,829	1,109,007
Child care and camps	106,768	-	106,768	78,494
Total Program Services	3,979,798	-	3,979,798	3,729,192
Management and general	656,736	-	656,736	416,884
Fundraising	145,900	-	145,900	103,106
Total Supporting Services	802,636	-	802,636	519,990
TOTAL EXPENSES	4,782,434	-	4,782,434	4,249,182
INCREASE IN NET ASSETS	1,121,303	(31,328)	1,089,975	891,844
NET ASSETS AT BEGINNING OF YEAR	5,834,427	1,029,501	6,863,928	5,972,084
NET ASSETS AT END OF YEAR	\$ 6,955,730	\$ 998,173	\$ 7,953,903	6,863,928

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,089,975	\$ 891,844
Adjustments to reconcile increase/(decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	227,407	227,945
Unrealized and realized (gain) loss on investments	(16,410)	55,602
Provision for allowance for doubtful accounts	-	(36,400)
(Increase)/decrease in operating assets:		
Accounts receivable	21,306	(36,213)
Capital Campaign receivable, net	5,644	67,076
Grant receivable	(1,069,490)	-
Prepaid expenses and supplies	(31,412)	6,629
(Decrease)/increase in operating liabilities:		
Accounts payable	225,025	3,643
Accrued expenses	(22,406)	(81)
Class and club activity deposits	31,534	(9,152)
Enrollment deposits	2,000	10,700
Prepaid tuition	(56,278)	(311,276)
Advance donations	(10)	(30,510)
Net cash provided by operations	<u>406,885</u>	<u>839,807</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(39,968)	(48,771)
Proceeds from sale of investments	29,859	37,617
Purchase of property and equipment	<u>(45,637)</u>	<u>(28,202)</u>
Net cash used by investing activities	<u>(55,746)</u>	<u>(39,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of EIDL loan	-	(150,000)
Payments on Bond payable	<u>(182,578)</u>	<u>(178,083)</u>
Net cash used by financing activities	<u>(182,578)</u>	<u>(328,083)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	168,561	472,368
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>4,134,744</u>	<u>3,662,376</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 4,303,305</u></u>	<u><u>\$ 4,134,744</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u><u>\$ 124,732</u></u>	<u><u>\$ 227,945</u></u>

THE RUDOLF STEINER SCHOOL ASSOCIATION OF ANN ARBOR
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023, WITH COMPARATIVE TOTALS FOR 2022

	Program Services			Supporting Services		Total	Summary
	Lower School	High School	Child Care	Program	Management	2023	Total
	Academics	Academics	and Camps	Services	and General		2022
Salaries	\$ 1,436,626	\$ 688,496	\$ 71,295	\$ 2,196,417	\$ 402,564	\$ 98,409	\$ 2,491,423
Payroll taxes	97,794	47,627	4,493	149,914	29,384	7,540	187,672
Employee benefits	128,961	42,634	-	171,595	52,688	1,534	203,217
Outside services	173,924	38,938	5,192	218,054	33,746	7,788	70,647
Occupancy	202,685	45,377	6,050	254,112	39,327	9,075	285,773
Technology expense	59,265	13,268	1,769	74,302	11,499	2,654	96,248
Community building and outreach	7,832	1,753	234	9,819	1,519	351	2,399
Telephone and internet	15,493	3,468	462	19,423	3,006	694	23,762
Office supplies and expenses	18,380	4,115	549	23,044	3,566	823	23,944
COVID-19 related expenses	22,465	5,030	671	28,166	4,359	1,006	46,599
Postage and shipping	1,300	291	39	1,630	252	58	1,011
Program activities, materials and supplies	134,919	208,797	4,172	347,888	6,065	66	286,506
Dues and subscriptions	30,100	6,739	898	37,737	5,840	1,348	33,528
Professional development	17,774	3,979	531	22,284	3,449	796	33,224
Advertising and promotion expense	26,378	5,905	787	33,070	5,118	1,181	41,625
Bad debt expense	31,053	13,905	1,390	46,348	-	-	17,743
Insurance	37,319	11,686	1,193	50,198	8,576	2,013	40,009
Fundraising events	-	-	-	-	-	18,600	9,523
Interest expense	83,570	18,710	2,495	104,775	16,215	3,742	135,907
Depreciation and amortization	152,363	34,111	4,548	191,022	29,563	6,822	227,945
Total expenses	2,678,201	1,194,829	106,768	3,979,798	656,736	164,500	4,258,705
Less expenses included with revenue on Statement of Activities:							
Fundraising events	-	-	-	-	-	(18,600)	(9,523)
Total	-	-	-	-	-	(18,600)	(9,523)
Total expenses shown on the Statement of Activities	\$ 2,678,201	\$ 1,194,829	\$ 106,768	\$ 3,979,798	\$ 656,736	\$ 145,900	\$ 4,249,182

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 be read in conjunction with the School’s financial statements for the year ended June 30, 2022, 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. Deposits are insured up to \$250,000 by FDIC. The School also holds funds in an interest cash sweep account that itself is FDIC insured. The balance of this account for the years ended June 30, 2023 and 2022 was \$3,140,003 and \$3,100,372, respectively. The School’s deposits in the remaining accounts at the bank that were more than \$250,000 for the year ended June 30, 2023 and 2022 were \$697,224 and \$681,037, respectively.

Accounts and Capital Campaign receivable

As of June 30, 2023, the School determined that a \$30,000 allowance for doubtful accounts related to the tuition and fees was necessary based on the subsequent review of write-offs after year-end. During 2022, the policy had been that if amounts became uncollectible, they will be charged to operations when that determination was made, and there was no allowance as of June 30, 2022.

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. Due to the balance of the capital campaign receivable as of June 30, 2023 and 2022, no allowance was deemed necessary.

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.

Note A – Summary of Significant Accounting Policies (continued)

Advance Donations

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

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. Insurance is allocated based on square footage of the buildings. 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.

Note A – Summary of Significant Accounting Policies (continued)

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.

Recent Accounting Pronouncements

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 amendments in the guidance was effective for the year ended June 30, 2023. Management has determined that the School's leases are immaterial to the financial statements and the amended guidance was not implemented.

Subsequent Events

Management has evaluated the effect of subsequent events through March XX, 2024, the date the financial statements were available for issue. Refer to Note Q for receipt of Grant Receivable related to ERC credits in August 2023.

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.

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

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

Note B – Fair Value Measurements (Continued)

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:

<u>SECURITY</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>JUNE 30, 2023</u>			
Money market funds	\$ -	\$ 5,283	\$ 5,283
Mutual funds	242,161	-	242,161
Exchange traded products	48,158	-	48,158
Total	<u>\$ 290,319</u>	<u>\$ 5,283</u>	<u>\$ 295,602</u>
<u>JUNE 30, 2022</u>			
Money market funds	\$ -	\$ 3,924	\$ 3,924
Mutual funds	227,885	-	227,885
Exchange traded products	37,274	-	37,274
Total investments	<u>\$ 265,159</u>	<u>\$ 3,924</u>	<u>\$ 269,083</u>

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

	<u>Level 3</u>	
<u>Capital Campaign Receivable</u>	<u>2023</u>	<u>2022</u>
Beginning balance, carrying value	\$ 6,884	\$ 73,960
Increase in capital campaign receivable	-	-
Payments received	(5,644)	(41,549)
Write-offs	-	(25,527)
Ending balance, carrying value	<u>\$ 1,240</u>	<u>\$ 6,884</u>

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, 2023 and 2022, there was no capital campaign receivable allowance.

Capital campaign receivable due within one year for the year ending June 30, 2023, is \$1,240.

NOTE D - INVESTMENT INCOME

The following schedule details the investment income/(loss) in the statements of activities for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Investment income	\$ 156,809	\$ 16,131
Realized gain (loss) on sale of investments	(1,877)	9,264
Unrealized gain (loss) on investments	18,287	(64,866)
Investment fees	(2,207)	(2,562)
	<u>\$ 171,012</u>	<u>\$ (42,033)</u>

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

NOTE E - PROPERTY AND EQUIPMENT

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

	2023	2022
Furniture and equipment	\$ 539,999	\$ 539,999
Building and improvements	7,847,177	7,832,697
Land improvements	845,150	813,993
Land	645,122	645,122
	<u>9,877,448</u>	<u>9,831,811</u>
Less: accumulated depreciation	<u>(3,423,664)</u>	<u>(3,202,725)</u>
Property and equipment, net	<u>\$ 6,453,784</u>	<u>\$ 6,629,086</u>

Depreciation expense was \$220,939 and \$221,477 for the years ended June 30, 2023 and 2022, respectively.

NOTE F - LOAN COSTS

Loan costs were incurred to refinance the School's bank mortgage debt. The costs are amortized over a twenty-year period using the straight-line method. Loan costs were the following as of June 30:

	2023	2022
Loan costs	\$ 129,344	\$ 129,344
Less: accumulated amortization	<u>(37,187)</u>	<u>(30,719)</u>
Loan costs, net	<u>\$ 92,157</u>	<u>\$ 98,625</u>

Amortization expense was \$6,468 for each of the years ended June 30, 2023 and 2022.

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:

2024	\$ 346
2025	86
Thereafter	-
	<u>\$ 432</u>

Rental expense for the office equipment was approximately \$19,000 and \$18,000 the years ended June 30, 2023 and 2022, respectively.

NOTE H - NOTE PAYABLES

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

	2023	2022
Note Payable - Bond	\$ 3,697,132	\$ 3,879,710
Less current portion	<u>(188,350)</u>	<u>(182,585)</u>
	<u>\$ 3,508,782</u>	<u>\$ 3,697,125</u>

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

Note H – Notes Payable (Continued)

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

2024	\$ 307,310
2025	307,310
2026	307,310
2027	307,310
2028	307,310
Thereafter	2,317,837
Total minimum payments	3,854,387
Less amount representing interest	(157,255)
Present value of minimum payments	3,697,132
Less current portion	(188,350)
Note payables - net of current portion	<u>\$ 3,508,782</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 interest rates after the 7 year fixed are variable and have not been included in the calculation for the Present Value of Minimum payments. The note payable is secured by land and buildings.

The School met the covenant requirements for the years ended June 30, 2023 and 2022.

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 School paid off the loan in full for \$150,000 plus \$6,680 in accrued interest in February 2022.

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 School did not make any employer contributions for the years ended June 30, 2023 and 2022.

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:

	2023	2022
Purpose restrictions:		
Acquisition of property and equipment	\$ 61,556	\$ 67,076
Total	<u>\$ 61,556</u>	<u>\$ 67,076</u>

NOTE K - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors of the School has voluntarily designated \$7,006 and \$152,501 as of June 30, 2023 and 2022, 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:

	2023	2022
Purpose restrictions:		
Restricted program donations	\$ 156,693	\$ 212,605
Investments from endowment	152,346	131,808
Capital campaign	588,236	584,188
Total purpose restrictions	897,275	928,601
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	100,900	100,900
Total Net Assets with Donor Restrictions	<u>\$ 998,175</u>	<u>\$ 1,029,501</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 2022
Beginning of year 2022	\$ 46,515	\$ 267,014	\$ 313,529
Investment return - net	(10,139)	(34,307)	(44,446)
End of year 2022	<u>\$ 36,376</u>	<u>\$ 232,707</u>	<u>\$ 269,083</u>
	Without Donor Restrictions	With Donor Restrictions	Total 2023
Beginning of year 2023	\$ 36,376	\$ 232,707	\$ 269,083
Investment return - net	5,982	20,537	26,519
End of year 2023	<u>\$ 42,358</u>	<u>\$ 253,244</u>	<u>\$ 295,602</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

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

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:

	2023	2022
Aggregate revenue	\$ 2,221	\$ 6,412
Less: related expenses	(18,600)	(9,528)
	<u>\$ (16,379)</u>	<u>\$ (3,116)</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 ended June 30:

	2023	2022
Cash and cash equivalents	\$ 3,716,309	\$ 3,557,440
Restricted cash	586,996	577,304
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 4,303,305</u>	<u>\$ 4,134,744</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.

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

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, 2023 and 2022, 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 ended June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,303,305	\$ 4,134,744
Endowment	<u>295,602</u>	<u>269,083</u>
	4,598,907	4,403,827
Less purpose and endowment fund restricted net assets	<u>(998,175)</u>	<u>(1,029,501)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,600,732</u>	<u>\$ 3,374,326</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 - EMPLOYEE RETENTION CREDITS

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance they will be fulfilled. The School applied for the 2nd and 3rd quarter of calendar year 2020 and 1st and 2nd quarter of calendar year 2021 Employee Retention Credit (ERC) from the Internal Revenue Service during the year ended June 30, 2023. The School recognized \$965,485 of grant revenue and \$104,005 of related interest earnings related to the performance requirements met in compliance with the program during the year ended June 30, 2023. A grant receivable was recorded in the amount of \$1,069,490. The School used a third party for the ERC filing, and expenses of \$193,097 were accrued. The funds from the US Treasury of \$1,069,490 were received in August 2023.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the School's financial position.

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

NOTE R - 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>2023</u>	<u>2022</u>
Revenue recognized over time		
Tuition and fees	\$ 6,169,031	\$ 6,162,928
Auxiliary programs	138,072	103,791
Total revenue recognized over time	<u>\$ 6,307,103</u>	<u>\$ 6,266,719</u>
	<u>2023</u>	<u>2022</u>
Accounts receivable		
Tuition and fees	\$ 28,313	\$ 49,619
Total accounts receivable	<u>\$ 28,313</u>	<u>\$ 49,619</u>
	<u>2023</u>	<u>2022</u>
Deferred revenue		
Class and club activity deposits	\$ 64,520	\$ 32,986
Enrollment deposits	172,100	170,100
Prepaid tuition	102,454	158,732
Total deferred revenue	<u>\$ 339,074</u>	<u>\$ 361,818</u>