

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL

AUDITED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2020

THREEFOLD EDUCATION FOUNDATION AND SCHOOL

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Threefold Educational Foundation and School

We have audited the accompanying financial statements of Threefold Educational Foundation and School (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, 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 Threefold Educational Foundation and School as of June 30, 2020, and the change 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the net assets as of July 1, 2019, have been restated to record the releases of net assets with donor restrictions not recognized in prior years and record payroll expense in the correct period. Our opinion is not modified with respect to this matter.

UHY LLP

Hudson, New York
September 30, 2021

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
STATEMENT OF FINANCIAL POSITION
June 30, 2020

	Foundation Operations	Fiber Craft Studio	Otto Specht School	Pfeiffer Center	Café	ESV	GMWS	Eliminations	Total
ASSETS									
Cash and cash equivalents	\$ 399,106	\$ 45,757	\$ 212,746	\$ 25,348	\$ 5,349	\$ 50,877	\$ 1,039,626	\$ -	\$ 1,778,809
Accounts receivable, net	355,008	10,575	379,122	8,936	23,167	30,886	203,862	(272,489)	1,011,556
Other receivables	23,656	-	-	-	-	-	-	(23,656)	-
Due from Threefold divisions	3,974	-	-	-	5,085	-	-	(9,059)	-
Prepaid expenses	-	427	427	4,436	427	4,735	101,826	-	112,278
Investments	120,243	-	-	-	-	100,509	984,238	-	1,204,990
Security deposit	-	-	-	-	-	-	100	-	100
Property and equipment, net	4,019,235	-	251,098	-	2,043	12,123	6,165,563	-	10,450,062
Total assets	<u>\$ 4,921,222</u>	<u>\$ 56,759</u>	<u>\$ 843,393</u>	<u>\$ 38,720</u>	<u>\$ 36,071</u>	<u>\$ 199,130</u>	<u>\$ 8,495,215</u>	<u>\$ (305,204)</u>	<u>\$ 14,557,795</u>
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable and accrued expenses	\$ 56,483	\$ 2,613	\$ 28,059	\$ 13,324	\$ 151,121	\$ 66,769	\$ 45,812	\$ (272,489)	\$ 364,181
Security deposits	81,607	-	-	-	-	-	1,870	-	83,477
Deferred revenue	22,806	15,105	-	22,275	-	-	170,313	-	230,499
Advanced tuition	-	-	-	-	-	-	2,400	-	2,400
Other payables	-	-	23,656	-	-	-	-	(23,656)	-
Due to Threefold divisions	-	-	-	-	-	-	9,059	(9,059)	-
Loans payable	440,940	11,300	109,035	22,180	39,476	46,017	961,557	-	1,630,505
Total liabilities	<u>601,836</u>	<u>29,018</u>	<u>160,750</u>	<u>57,779</u>	<u>190,597</u>	<u>112,786</u>	<u>1,191,011</u>	<u>(305,204)</u>	<u>2,311,062</u>
NET ASSETS									
Without donor restrictions:									
Board designated	-	-	153,157	-	-	-	601,080	-	754,237
Undesignated	4,246,265	27,741	529,486	(19,059)	(154,526)	71,844	6,227,483	-	10,929,234
Total without donor restrictions	<u>4,246,265</u>	<u>27,741</u>	<u>682,643</u>	<u>(19,059)</u>	<u>(154,526)</u>	<u>71,844</u>	<u>6,828,563</u>	<u>-</u>	<u>11,683,471</u>
With donor restrictions	73,121	-	-	-	-	14,500	475,641	-	563,262
Total net assets	<u>4,319,386</u>	<u>27,741</u>	<u>682,643</u>	<u>(19,059)</u>	<u>(154,526)</u>	<u>86,344</u>	<u>7,304,204</u>	<u>-</u>	<u>12,246,733</u>
Total liabilities and net assets	<u>\$ 4,921,222</u>	<u>\$ 56,759</u>	<u>\$ 843,393</u>	<u>\$ 38,720</u>	<u>\$ 36,071</u>	<u>\$ 199,130</u>	<u>\$ 8,495,215</u>	<u>\$ (305,204)</u>	<u>\$ 14,557,795</u>

See notes to financial statements.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

	Foundation Operations	Fiber Craft Studio	Otto Specht School	Pfeiffer Center	Café	ESV	GMWS	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS									
REVENUE AND SUPPORT									
Tuition income, net of scholarships, remissions, and discounts	\$ 9,900	\$ 109,337	\$ 1,095,348	\$ 36,162	\$ -	\$ 152,174	\$ 4,154,967	\$ -	\$ 5,557,888
Rental income, net of remissions	1,270,358	-	-	-	-	2,732	124,776	(80,810)	1,317,056
Fee income, net of remissions	103,944	34,053	145,700	228,135	350,469	55,988	-	-	918,289
Contributions and grants	16,712	21,292	147,311	182,488	12,268	166,952	455,969	(87,083)	915,909
Fundraising income	-	13,506	40,996	-	-	-	74,912	-	129,414
Gain on sale of property	350,576	-	-	-	-	-	-	-	350,576
Administrative fee income	207,830	-	-	-	-	-	-	(207,830)	-
Administrative fee forgiven	-	3,273	13,089	-	3,804	-	-	(20,166)	-
School lunch income	-	-	10,000	-	-	-	-	-	10,000
Other income	4,317	1,381	6,025	-	3,908	3,767	62,928	-	82,326
Investment return, net	473	-	823	38	-	1,291	7,454	-	10,079
Net assets released from restrictions	-	-	-	-	-	5,100	-	-	5,100
Total revenue and support from operating activities	<u>1,964,110</u>	<u>182,842</u>	<u>1,459,292</u>	<u>446,823</u>	<u>370,449</u>	<u>388,004</u>	<u>4,881,006</u>	<u>(395,889)</u>	<u>9,296,637</u>
EXPENSES									
Program services	698,774	117,236	1,167,154	312,608	156,968	324,482	3,766,327	(135,141)	6,408,408
Management and general	955,409	29,512	81,166	88,216	238,173	83,908	1,025,068	(260,748)	2,240,704
Fundraising	38,567	9,873	120,314	41,581	69,017	32,744	162,273	-	474,369
Total expenses	<u>1,692,750</u>	<u>156,621</u>	<u>1,368,634</u>	<u>442,405</u>	<u>464,158</u>	<u>441,134</u>	<u>4,953,668</u>	<u>(395,889)</u>	<u>9,123,481</u>
Change in net assets without donor restrictions	<u>271,360</u>	<u>26,221</u>	<u>90,658</u>	<u>4,418</u>	<u>(93,709)</u>	<u>(53,130)</u>	<u>(72,662)</u>	<u>-</u>	<u>173,156</u>
NET ASSETS WITH DONOR RESTRICTIONS									
Investment return, net	2,635	-	-	-	-	-	8,944	-	11,579
Net assets released from restrictions	-	-	-	-	-	(5,100)	-	-	(5,100)
Change in net assets with donor restrictions	<u>2,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,100)</u>	<u>8,944</u>	<u>-</u>	<u>6,479</u>
TOTAL CHANGE IN NET ASSETS	<u>273,995</u>	<u>26,221</u>	<u>90,658</u>	<u>4,418</u>	<u>(93,709)</u>	<u>(58,230)</u>	<u>(63,718)</u>	<u>-</u>	<u>179,635</u>
NET ASSETS, Beginning of year, as adjusted	<u>4,045,391</u>	<u>1,520</u>	<u>591,985</u>	<u>(23,477)</u>	<u>(60,817)</u>	<u>144,574</u>	<u>7,367,922</u>	<u>-</u>	<u>12,067,098</u>
NET ASSETS, End of year	<u>\$ 4,319,386</u>	<u>\$ 27,741</u>	<u>\$ 682,643</u>	<u>\$ (19,059)</u>	<u>\$ (154,526)</u>	<u>\$ 86,344</u>	<u>\$ 7,304,204</u>	<u>\$ -</u>	<u>\$ 12,246,733</u>

See notes to financial statements.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program							Total Program	Management and General	Fundraising	Eliminations	Total
	Foundations Operations	Fiber Craft Studio	Otto Specht School	Pfeiffer Center	Café	ESV	GMWS					
Salaries and benefits	\$ 134,496	\$ 67,135	\$ 854,213	\$ 239,695	\$ 111,842	\$ 204,047	\$ 2,539,653	\$ 4,151,081	\$ 1,500,178	\$ 359,556	\$ (171,922)	\$ 5,838,893
Professional fees - legal	-	-	-	-	-	-	-	-	62,631	-	-	62,631
Professional fees - accounting	-	-	-	-	-	-	-	-	74,928	-	-	74,928
Other fees for service	-	15,237	43,505	2,350	-	27,248	64,079	152,419	45,319	19,950	-	217,688
Advertising and promotion	23,755	3,822	16,806	5,332	573	8,232	121,095	179,615	12,604	9,946	(9,450)	192,715
Office expenses	38,530	3,385	9,398	6,749	3,785	13,496	4,162	79,505	82,142	7,735	-	169,382
IT expense	4,523	-	-	-	-	-	1,025	5,548	85,715	7,500	-	98,763
Occupancy	215,345	8,025	51,884	8,193	2,934	14,338	241,888	542,607	375,887	2,561	(76,160)	844,895
Travel	1,027	637	-	716	-	23,618	11,057	37,055	7,174	-	-	44,229
Depreciation and amortization	74,605	-	4,381	-	-	-	302,995	381,981	101,972	-	-	483,953
Insurance	58,058	993	4,156	3,897	-	4,838	96,716	168,658	90,660	440	-	259,758
Dues and subscriptions	-	-	1,598	-	452	-	22,342	24,392	646	194	-	25,232
Professional development	-	-	2,950	-	-	1,370	31,216	35,536	-	-	-	35,536
Supplies	-	3,460	21,086	32,806	3,115	3,638	98,475	162,580	4,451	47,247	-	214,278
Student expenses	-	13,679	99,579	7,596	-	19,113	112,894	252,861	-	-	-	252,861
Activity expenses	-	-	-	-	-	-	22,361	22,361	-	-	-	22,361
Meals and entertainment	8,956	863	8,499	4,720	170	-	-	23,208	243	4,570	-	28,021
Miscellaneous	2,033	-	4,049	529	1,724	1,423	-	9,758	2,653	796	(3,216)	9,991
Cost of goods sold	-	-	-	-	32,373	-	-	32,373	27,534	13,874	-	73,781
Forgiveness of rent	4,650	-	-	-	-	-	-	4,650	-	-	(4,650)	-
Forgiveness of fee income	130,491	-	-	-	-	-	-	130,491	-	-	(130,491)	-
Interest	-	-	-	-	-	-	-	-	26,715	-	-	26,715
Bad debt	2,305	-	45,050	25	-	3,121	96,369	146,870	-	-	-	146,870
Total expenses	\$ 698,774	\$ 117,236	\$ 1,167,154	\$ 312,608	\$ 156,968	\$ 324,482	\$ 3,766,327	\$ 6,543,549	\$ 2,501,452	\$ 474,369	\$ (395,889)	\$ 9,123,481

See notes to financial statements.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

	Foundation Operations	Fiber Craft Studio	Otto Specht School	Pfeiffer Center	Café	ESV	GMWS	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in net assets	\$ 273,995	\$ 26,221	\$ 90,658	\$ 4,418	\$ (93,709)	\$ (58,230)	\$ (63,718)	\$ -	\$ 179,635
Adjustments to reconcile change in net assets to net cash from operating activities									
Depreciation and amortization	135,645	-	7,966	-	1,728	1,954	336,660	-	483,953
Realized and unrealized gain on investments	2,557	-	-	-	-	(3,458)	3,300	-	2,399
Gain on sale of property and equipment	(350,576)	-	-	-	-	-	-	-	(350,576)
Changes in Assets/Liabilities:									
Accounts receivable	4,288	17,113	(257,788)	(4,482)	(4,947)	10,859	(50,071)	-	(285,028)
Pledges receivable	1,065	-	30,000	-	-	-	-	-	31,065
Prepaid expenses	90,843	7,143	5,824	(1,367)	6,734	217	22,553	-	131,947
Due to/from Threefold divisions	3,974	-	-	-	5,085	-	(9,059)	-	-
Accounts payable and accrued expenses	(74,403)	(4,854)	(126,910)	(4,249)	21,596	170	3,411	-	(185,239)
Security deposits	(68,441)	-	-	-	-	-	-	-	(68,441)
Deferred revenue	(60,858)	(75,592)	(46,569)	1,598	(2,282)	(14,780)	(105,866)	-	(304,349)
Total adjustments	(315,906)	(56,190)	(387,477)	(8,500)	27,914	(5,038)	200,928	-	(544,269)
Net cash provided by (used for) operating activities	(41,911)	(29,969)	(296,819)	(4,082)	(65,795)	(63,268)	137,210	-	(364,634)
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of property and equipment	(72,066)	-	(59,515)	-	-	-	(250,166)	-	(381,747)
Proceeds from sale of property and equipment	364,517	-	-	-	-	-	-	-	364,517
Proceeds from loan receivable	-	-	-	-	-	-	150,000	(150,000)	-
Purchases of investments	(5,663)	-	-	-	-	-	(944,227)	-	(949,890)
Proceeds from sale of investments	-	-	-	-	-	24,437	374,592	-	399,029
Net cash provided by (used for) investing activities	286,788	-	(59,515)	-	-	24,437	(669,801)	(150,000)	(568,091)
CASH FLOWS FROM FINANCING ACTIVITIES:									
Payments on line of credit, net	(175,315)	-	-	-	-	-	-	-	(175,315)
Proceeds from notes payable	292,003	11,300	109,035	22,180	39,476	43,017	736,879	-	1,253,890
Payments on loans payable	(172,083)	-	-	-	-	-	(44,025)	150,000	(66,108)
Net cash provided by (used for) financing activities	(55,395)	11,300	109,035	22,180	39,476	43,017	692,854	150,000	1,012,467
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	189,482	(18,669)	(247,299)	18,098	(26,319)	4,186	160,263	-	79,742
CASH AND CASH EQUIVALENTS, Beginning of year	209,624	64,426	460,045	7,250	31,668	46,691	879,363	-	1,699,067
CASH AND CASH EQUIVALENTS, End of year	\$ 399,106	\$ 45,757	\$ 212,746	\$ 25,348	\$ 5,349	\$ 50,877	\$ 1,039,626	\$ -	\$ 1,778,809
SUPPLEMENTAL CASH FLOW INFORMATION									
Cash paid for:									
Interest	\$ 14,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,233	\$ -	\$ 26,715
Non-cash activities:									
In-kind donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,201	\$ -	\$ 15,201

See notes to financial statements.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – NATURE OF ORGANIZATION AND OPERATIONS

Threefold Educational Foundation and School (the “Organization”) is the umbrella Organization for Green Meadow Waldorf School (“GMWS”), Eurythmy Spring Valley (“ESV”), Fiber Craft Studio, Otto Specht School (“OSS”), Pfeiffer Center, and Threefold Café.

The Foundation provides support services for the above-named divisions and other educational and cultural activities based on Anthroposophy and the work of Rudolf Steiner. The Foundation Operations division allocates the costs of some rents and administrative support to these divisions. The forgiveness of these costs is included in revenue shown as net of remissions. GMWS and OSS provide academic programs with a reliance on the Rudolf Steiner Philosophy to children from preschool through the twelfth grade, including students with learning challenges (OSS). ESV provides professional training in Eurythmy, a performance art which has applications in medical and occupational therapies and in education. The Pfeiffer Center and Fiber Craft Studio offer adult education in agriculture and textile arts, respectively. Threefold Café provides food service and hospitality to all affiliated programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Under this method of accounting, revenue is recognized when earned and when the amounts and timing of the revenue can be reasonably estimated. Expenses are recognized when they are incurred.

Financial Statement Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, Not-for-Profit Entities.

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement

At July 1, 2019, the Organization recognized the following prior period adjustment to net assets with donor restrictions:

- Decrease in net assets with donor restrictions not recorded in prior year due to releases from restriction of \$144,655.
- Decrease net assets without donor restrictions for payroll expense that should have been recorded in the prior period in the amount of \$80,955.

	Without Donor Restriction	With Donor Restriction	Total
As of June 30, 2019, unadjusted	\$ 11,446,615	\$ 701,438	\$ 12,148,053
Released from restriction	144,655	(144,655)	-
Payroll adjustment	<u>(80,955)</u>	<u>-</u>	<u>(80,955)</u>
As of June 30, 2019, adjusted	<u><u>\$ 11,510,315</u></u>	<u><u>\$ 556,783</u></u>	<u><u>\$ 12,067,098</u></u>

Contributions

Unconditional contributions are recognized when pledged and recorded as support with or without restriction, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been reflected in the financial statements for donated services because the criteria for recognition under (FASB) Accounting Standards Codification (ASC) 958-605 have not been satisfied. The Organization pays for services requiring specific expertise.

The accounting standards update issued by FASB “Not-for-Profit Entities: Classification of the Sale of Donated Financial Assets in the Statement of Cash Flows” requires not-for-profit entities to classify cash receipts without restriction from the sale of donated financial assets that were nearly immediately converted into cash as cash inflows from operating activities. Cash receipts in which the donor restricts the use of contributed resources to long-term purposes should be classified as cash flows from financing activities.

During the year ended June 30, 2020, the Organization received \$15,201 of in-kind donations that has been reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Threefold Educational Foundation and School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Internal Revenue Service has determined that the Organization is a qualified charitable organization to which contributions are eligible for deduction by individual donors as described under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Organization’s returns are currently under examination.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in banks, money market accounts, and highly liquid investments with maturities of three months or less at the time of acquisition. Cash and cash equivalents representing investment funds are included in investments.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for Profit Organizations", investments in debt and equity securities are reported at fair value on the statement of financial position with the net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized gains (depreciation) on those investments, presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

The Organization accounts for its investments at market value on a trade date basis. The value of publicly traded common stocks and mutual funds is based upon quoted market prices. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Nonmarketable securities include alternative investments such as a private foundation (Rudolf Steiner Foundation) which is recorded at cost in the absence of readily determinable public market values. The fair value of cost method investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investments. Management has determined it is not practical to estimate the fair value of this investment. In accordance with FASB ASC 958-325 "Investments – Other", investments without readily determinable fair values are recorded at cost when purchased or estimated fair value, if contributed. In subsequent periods, these investments are to be recorded at the lower of cost or market value.

If it is determined that the investment's fair value is below cost the Organization must evaluate whether the investment has been impaired. If it is determined that an other than temporary impairment loss has occurred, the carrying value of the investment should be written down to the estimated fair value. Once the investment is written down, the new value becomes the new cost basis and is not to be written back up for subsequent increases in estimated fair value.

Fair Value Measurement

FASB ASC 820-10 "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute. See Note 3 for disclosures required by FASB ASC 820-10.

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2, or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs. Level 3 fair value is based on significant unobservable inputs.

Property, Equipment, and Depreciation

Property and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their useful lives. Major additions and improvements over \$5,000 are capitalized, and routine expenditures for repairs and maintenance are charged to expense as incurred.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Tuition and fees revenue is earned over the academic year as services are provided. Sales of merchandise are recorded at the point of sale and collection is probable. Deferred income and other deferred amounts consist of deferred tuition, deferred program deposits and other unearned revenue items. Deferred tuition represents payments received during the year ended June 30, 2020 for the Fall 2020 through Spring 2021 school year. Amounts will be recognized as tuition revenues over the school year pro rata when earned. Program deposits are payments received for programs, which will take place at a future date. Amounts will be recognized as revenue when the programs take place.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of risk consist principally of cash and cash equivalents, accounts receivable and investments. Cash is maintained at Federal Deposit Insurance Corporation (FDIC) insured financial institutions. The Organization has not experienced any losses on its cash. As of June 30, 2020, the Organization's cash balances at one financial institution exceeded FDIC insurance limits by approximately \$1,362,000. The Organization does not believe it is exposed to any significant credit risk on cash and cash equivalents. Based on management's review of the strength of the financial institutions, management believes the risk of loss on its cash balances are minimal.

The Organization extends credit to its students on an annual basis. Collateral is not required. Management bills the student two months prior to the opening of each school year. Generally, if tuition for the preceding school term has not been fully paid, the student is denied matriculation. Annually, management reviews uncollectible receivables on an individual basis in its ongoing review of its allowance for doubtful accounts. Management considers factors such as payment history, financial background of parents, family challenges, and expected future ability to pay in determining the specific allowance.

The Organization reviews all outstanding pledges as of the end of the fiscal year for collectability. Reserves are established when management has determined that collection is not probable taking into account payment history and conversations with the donors.

Receivables are written off by management after all collection efforts are exhausted and future attendance is unlikely. Management believes based on this process that the allowance is adequate to cover future losses.

Investments are exposed to various risks. Due to the level of risk associated with these securities and the level of uncertainty related to the changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statement of financial position and statement of activities as of and for the year ended June 30, 2020.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowments

In July 2006, the Uniform Law Commission (ULC) approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), the model act, in which most states and the District of Columbia have based their primary laws governing the investment and management of donor-restricted endowment funds by not-for-profit organizations. New York State adopted its version of UPMIFA in September 2010. FASB ASC 958-205 “Endowments of Not-for-Profit Organizations” provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. This standard also improved disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Advertising Costs

Advertising costs are generally expensed as incurred. Advertising and promotional expense was \$192,715 for the year ended June 30, 2020.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting activities benefited. Such allocations are determined by management on an equitable basis.

Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, and has subsequently issued supplemental and/or clarifying Accounting Standards Updates (collectively “ASC 606”). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.

In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Policies related to recognition of revenue for the Organization are discussed above.

On July 1, 2019, the Organization adopted ASU 2014-09 using the modified retrospective application. There was no material impact as a result of this accounting change.

The Organization also implemented FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of July 1, 2019. The implementation of this ASU had no significant effect on the financial statements for the year ended June 30, 2020.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. As a result, several of the Organization's programs experienced losses, anticipated enrollments in both K-12 and adult education programs declined, and projected revenues for hospitality and conference programs were eliminated as events were cancelled through the 2020-21 fiscal year.

In the spring and summer of 2020, all education programs pivoted to offer virtual programs which reduced revenue losses in the short term; additionally, both K-12 programs were able to offer onsite programs in the fall of 2020, and both experienced steady mid-year enrollment through the 2020-21 fiscal year.

While conferences and hospitality services sustained losses in revenue and have not fully recovered, no programs were shuttered during the pandemic, and operations as of the report date have resumed to pre-pandemic levels.

The Organization obtained two loans from the Small Business Administration's ("SBA") Paycheck Protection Program (PPP), one in April 2020 and a second in February 2021. While some layoffs were made in the spring of 2020, the PPP funding enabled the Organization to rehire and maintain payroll at pre-pandemic levels through the 2020-21 fiscal year. The first PPP loan was fully forgiven in June 2021. Because the Organization has continued to comply with the forgiveness requirements, it is expected that the second loan will also be fully forgiven.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

As the pandemic continues to endure, the disease could have an adverse material effect on the Organization's activities, results of operations, financial condition and cash flow.

Subsequent Events

Subsequent events have been evaluated through September 30, 2021, which is the date the financial statements were available to be issued.

In February 2021, the Organization received a second PPP loan in the amount of \$1,004,545.

**THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

NOTE 3 – INVESTMENTS

Investments are comprised of the following as of June 30, 2020:

	Cost	Unrealized gain	Fair Value	Fair Value Level
Cash and cash equivalents	\$ 414,064	\$ -	\$ 414,064	N/A
Money markets	70,567	72,914	143,481	Level 1
Mutual funds	120,218	6,461	126,679	Level 1
Equities	456,892	16,752	473,644	Level 1
Rudolf Steiner Foundation	120,036	-	120,036	N/A - Cost
	<u>\$ 1,181,777</u>	<u>\$ 96,127</u>	<u>\$ 1,277,904</u>	

Assets measured at fair value on a recurring basis are as follows as of June 30, 2020:

	Foundation Operations	ESV	GMWS	Total
Cash and cash equivalents	\$ -	\$ 11,948	\$ 402,116	\$ 414,064
Money market funds	70,567	-	-	143,481
Mutual funds	-	15,647	111,032	126,679
Equities	2,554	-	471,090	473,644
Rudolf Steiner Foundation	47,122	72,914	-	120,036
	<u>\$ 120,243</u>	<u>\$ 100,509</u>	<u>\$ 984,238</u>	<u>\$ 1,277,904</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of June 30, 2020:

	Foundation Operations	Otto Specht School	Café	ESV	GMWS	Total
Land	\$ 300,098	\$ -	\$ -	\$ -	\$ 112,404	\$ 412,502
Building and improvements	6,249,516	79,656	-	97,676	9,908,514	16,335,362
Furniture and equipment	135,519	-	8,642	4,099	568,982	717,242
Vehicles	-	-	-	-	199,759	199,759
Construction in process	-	197,129	-	-	-	197,129
Total property and equipment	6,685,133	276,785	8,642	101,775	10,789,659	17,861,994
Accumulated depreciation	(2,665,898)	(25,687)	(6,599)	(89,652)	(4,624,096)	(7,411,932)
Property and equipment, net	<u>\$ 4,019,235</u>	<u>\$ 251,098</u>	<u>\$ 2,043</u>	<u>\$ 12,123</u>	<u>\$ 6,165,563</u>	<u>\$ 10,450,062</u>

Depreciation expense was \$481,622 for the year ended June 30, 2020. Construction-in-process consists of \$197,129 related to costs incurred for the construction of a future building.

**THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

NOTE 5 – LOANS PAYABLE

Loans payable as of June 30, 2020 consisted of the following:

	<u>Principal Amount</u>
Mortgage payable consists of original mortgage of \$428,000. The loan was refinanced in October 2016 at 4.38% over 10 years. Monthly installment of \$2,874 include principal, interest, and fee amortization. Collateral: 24 Joyce Drive, Chestnut Ridge, New York	\$ 192,290
Mortgage payable to M&T Bank of \$175,000. Monthly installment of \$1,084 including principal and interest at a rate of 5.510% through December 2028. Collateral: 8 Capricorn Lane, Chestnut Ridge, New York	169,532
Vehicle loan payable to Ally Financial of \$54,750. Monthly installment of \$1,065 including principal and interest at a rate of 6.25% through April 2024. Collateral: Vehicle related to the note	40,150
Vehicle loan payable to Ally Financial of \$51,750. Monthly installment of \$1,015 including principal and interest at a rate of 6.59% through September 2024. Collateral: Vehicle related to the note	43,987
Interest free note. Due on demand	3,000
Paycheck Protection Program loan in the amount of \$1,202,141. Note is payable in installments of principal and interest at a fixed rate of 1% per year beginning after the six-month deferral period. During that six-month deferral period, interest will accrue. The loan and interest is subject to forgiveness. Any portion of the loan not forgiven will be due April 2022.	1,202,141
Unamortized debt issuance costs	<u>(20,595)</u>
Total	<u>\$ 1,630,505</u>

As of June 30, 2020, the aggregate minimum annual maturities of loans payable are as follows:

2021	\$ 930,741
2022	377,509
2023	55,776
2024	52,884
2025	38,195
Thereafter	195,995
Unamortized debt issuance costs	<u>(20,595)</u>
Total	<u>\$ 1,630,505</u>

**THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist for the following purposes as of June 30, 2020:

Subject to expenditure for specified purpose:

Howard Mehrtens Scholarship	\$	18,094
Educational Support		30,700
Traveling		2,500
		<u>51,294</u>

Subject to spending policy and appropriation:

Investment in perpetuity		511,968
	\$	<u>563,262</u>

Releases from Donor Restricted Net Assets for the year ended June 30, 2020, are as follows:

CURRENT YEAR RELEASES

Subject to expenditure for specified purpose:

Pedagogical scholarship	\$	<u>5,100</u>
-------------------------	----	--------------

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS—ENDOWMENT FUNDS

The Organization's endowment consists of four individual funds held with an institutional investment company. The endowment includes donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Organization has interpreted the New York State Prudent Management of Institutional Funds Act ("NYSPMIFA") 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. With the adoption of NYSPMIFA during 2010, investment return (dividends and interest, realized and unrealized appreciation or depreciation) net of related investment management fees on the endowment fund investments are classified as net assets with donor restrictions. If the Board of Trustees decides that operating cash flows are sufficient to cover the annual scholarships and tuition assistance, earnings are generally reinvested. Periodically, the Board of Trustees will appropriate a portion of the accumulated earnings for expenditure based on the Organization's spending policy. To the extent the fair value of endowment assets is lower than the original corpus (historic dollar amount) of the gifts permanently restricted, the Organization does not spend annual investment return. The Organization reinvests realized earnings until the realized earnings accumulate to a reasonable amount above the original historic dollar amount. To the extent endowments are "underwater", net assets without donor restrictions are adjusted for such unrealized and realized investment return annually.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT FUNDS (Continued)

Return Objectives and Risk Parameters

The Organization's Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to supplement annual third-party contributions and maintain the purchasing power of the endowment assets. Under this policy, as approved by the investment committee, the endowment assets are invested in a manner that is intended to produce results that compare to the price and yield results of the S&P 500 while assuming a moderate level of investment risk. The Organization expects its endowment fund, over time, to provide an average rate of return sufficient to cover the Organization's spending plan over the long-term.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that provides a mixture of equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of reinvesting dividends and interest income earned on an annual basis as long as unrestricted donations received for support and the School's operating cash flows are sufficient to cover annual financial aid awarded. Earnings are also reinvested to the extent investments are below their historic dollar amounts. The Organization's investment committee reviews the fair market value of endowment investments plus reinvested unspent income in relationship to the funds historic dollar amount to further ensure investment growth. In establishing this policy, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

For the Shadrach Woods Endowment Fund, the Organization has a policy of appropriating for distribution each year the interest and dividends earned on these funds for donor purposes.

For the Green Meadow Waldorf School Endowment Fund, the Organization has a policy for distribution each year of 5% or less as determined by the Advisory Board.

Endowment composition by type of fund as of June 30, 2020 is:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ -	\$ 472,869	\$ 472,869
Accumulated investment gains	-	39,099	39,099
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 511,968</u>	<u>\$ 511,968</u>

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT FUNDS (Continued)

Change in endowment net assets for the year ended June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2019	\$ -	\$ 500,389	\$ 500,389
Investment returns, net	-	(3,120)	(3,120)
Contributions	-	14,699	14,699
Ending balance, June 30, 2020	<u>\$ -</u>	<u>\$ 511,968</u>	<u>\$ 511,968</u>

Endowment funds are included in “investments” on the statement of financial position within the following divisions:

Green Meadow	\$ 426,847
Foundation Operations	73,121
ESV	12,000
	<u>\$ 511,968</u>

NOTE 8 – BOARD DESIGNATED NET ASSETS

Otto Specht School has board designated net assets as of June 30, 2020, consisting of \$153,157 designated for use in connection with the ongoing capital campaign and construction project, as well as for vehicles.

GMWS has board designated net assets as of June 30, 2020, consisting of \$244,044 designated for extraordinary site and vehicle expenses, employee sabbaticals, and emergency tuition assistance; and \$357,036 in operating reserves.

NOTE 9 – PENSION PLAN

The majority of the Organization’s employees are participants in a defined contribution plan sponsored by the Organization. Total expenses incurred by the Organization in connection with the plan amounted to \$149,503 for the year ended June 30, 2020.

NOTE 10 – LINES OF CREDIT

The Organization has two lines of credit with M&T Bank. One line of credit has credit available up to \$500,000 at a rate of 5.5% as of June 30, 2020. A second line of credit, utilized solely by GMWS, has credit available up to \$250,000 at a rate of 4.25% as of June 30, 2020. As of June 30, 2020, no amount was outstanding on either of the lines of credit.

NOTE 11 – LEASES

GMWS has a lease for two off-site Kindergarten classes which commenced September 2013 and has an annual renewal. The monthly rent under this lease is \$5,000.

THREEFOLD EDUCATIONAL FOUNDATION AND SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 – LEASE INCOME

Minimum future rental income commitments as of June 30, 2020, for fiscal year ending June 30, 2021 is approximately \$1,003,000.

NOTE 13 – LIQUIDITY

The Organization's financial assets available within one year of June 30, 2020 for general expenditure are as follows:

Current financial assets at year-end:

Cash and cash equivalents	\$ 1,778,809
Investments	1,204,990
Accounts receivable, net	<u>1,011,556</u>

Total financial assets at year-end	<u>3,995,355</u>
------------------------------------	------------------

Less those unavailable for general expenditures within one year due to:

Accounts receivable due in greater than one year	(20,000)
Restricted by donors with time or purpose restrictions	(51,294)
Restricted by donors in perpetuity	<u>(511,968)</u>

Total unavailable for general use:	<u>(583,262)</u>
------------------------------------	------------------

Total financial assets available to management for general expenditures within one year:	<u>\$ 3,412,093</u>
--	---------------------

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the financial assets shown above, the Organization also has two lines of credit with available balances that it can draw upon for financing purposes should the need arise. See Note 10 for a description of these lines of credit and the amount of unused funds on each available line of credit as of June 30, 2020.