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Financial Statements

Sun Valley Community School, Inc.
(a nonprofit organization)
Years Ended June 30, 2025 and 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sun Valley Community School, Inc.
Sun Valley, Idaho

Opinion

We have audited the financial statements of Sun Valley Community School, Inc., which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sun Valley Community School, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Sun Valley Community School, Inc. 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.

2024 Financial Statements Restated

As described in Note M to the financial statements, the 2024 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Sun Valley Community School, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Sun Valley Community School, Inc.'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 Sun Valley Community School, Inc.'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 Sun Valley Community School, Inc.'s June 30, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sorren CPAs P.C.

Meridian, Idaho
December 2, 2025

SUN VALLEY COMMUNITY SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2025

With Comparative Totals as of June 30, 2024

ASSETS		
	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Current Assets		
Cash and cash equivalents	\$ 6,673,250	\$ 5,193,781
Prepaid expenses	130,418	130,593
Other current assets	<u>28,806</u>	<u>55,530</u>
Total Current Assets	6,832,474	5,379,904
Property and Equipment, net	29,859,150	30,529,137
Long-Term Investments		
Investment in Workforce Housing Bonds	990,000	1,040,000
Endowment	<u>13,984,572</u>	<u>12,586,802</u>
Total Long-Term Investments	<u>14,974,572</u>	<u>13,626,802</u>
Total Assets	<u>\$ 51,666,196</u>	<u>\$ 49,535,843</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 245,712	\$ 51,481
Accrued liabilities	68,214	0
Current portion of long-term debt	65,504	61,569
Deferred tuition revenue	<u>2,351,750</u>	<u>1,793,630</u>
Total Current Liabilities	2,731,180	1,906,680
Other Liabilities		
Long-term debt, net of current portion and unamortized loan fees	<u>3,566,541</u>	<u>3,551,771</u>
Total Liabilities	6,297,721	5,458,451
Net Assets		
Without donor restrictions	36,877,169	37,487,807
With donor restrictions	<u>8,491,306</u>	<u>6,589,585</u>
Total Net Assets	<u>45,368,475</u>	<u>44,077,392</u>
Total Liabilities and Net Assets	<u>\$ 51,666,196</u>	<u>\$ 49,535,843</u>

See notes to financial statements.

SUN VALLEY COMMUNITY SCHOOL, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2025
With Comparative Totals For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Total</u>	<u>2024 Total (Restated)</u>
Revenues and Other Support				
Tuition and fees	\$ 15,410,792	\$	\$ 15,410,792	\$ 14,566,590
Less financial aid	(1,835,310)		(1,835,310)	(1,436,593)
Contributions	1,310,220	1,241,297	2,551,517	6,350,474
Investment income, net	739,555	822,716	1,562,271	1,486,422
Special events, net	930,156	11,354	941,510	624,967
Other income	434,081		434,081	334,229
	16,989,494	2,075,367	19,064,861	21,926,089
Assets released from restrictions	<u>173,646</u>	<u>(173,646)</u>	<u>0</u>	<u>0</u>
Total Revenue	17,163,140	1,901,721	19,064,861	21,926,089
Expenses				
Education & Enrichment Activities	<u>14,884,774</u>		<u>14,884,774</u>	<u>13,203,454</u>
Total Program Services	14,884,774	0	14,884,774	13,203,454
Supporting services				
General & administrative	1,483,442		1,483,442	1,498,431
Facilities	936,088		936,088	730,194
Fundraising	469,474		469,474	440,505
Total Supporting Services	<u>2,889,004</u>	<u>0</u>	<u>2,889,004</u>	<u>2,669,130</u>
Total Expenses	<u>17,773,778</u>	<u>0</u>	<u>17,773,778</u>	<u>15,872,584</u>
Change in Net Assets	(610,638)	1,901,721	1,291,083	6,053,505
Net Assets				
Beginning of Year	<u>37,487,807</u>	<u>6,589,585</u>	<u>44,077,392</u>	<u>38,023,887</u>
End of Year	<u>\$ 36,877,169</u>	<u>\$ 8,491,306</u>	<u>\$ 45,368,475</u>	<u>\$ 44,077,392</u>

See notes to financial statements.

SUN VALLEY COMMUNITY SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2025
With Comparative Totals for the Year Ended June 30, 2024

	Program Services		Support Services		2025 Total	2024 Total (Restated)
	Education & Activities	Facilities	Fundraising	General & Administrative		
Salaries and wages	\$ 7,042,640	\$ 477,344	\$ 304,851	\$ 771,163	\$ 8,595,998	\$ 7,925,823
Employee benefits	2,947,301	107,449	80,042	196,253	3,331,045	2,920,159
Depreciation	957,935	53,817		64,580	1,076,332	1,078,173
Curriculum	980,545				980,545	741,179
Repairs and maintenance	489,660	134,496		62,360	686,516	566,764
Payroll taxes	543,798	37,972	24,279	47,518	653,567	615,934
Outdoor trips	375,822				375,822	413,519
Insurance	317,223	10,740	2,685	42,959	373,607	213,583
Interest	217,500	107,325		24,239	349,064	232,016
Marketing	305,321	1,431	28,225	2,311	337,288	273,503
Utilities	284,498	1,911	1,220	3,087	290,716	245,530
Professional fees	41,762			227,833	269,595	174,348
Training and development	145,024			29,249	174,273	154,407
Transportation	73,676				73,676	78,414
Office expenses	53,161	3,603	2,301	5,821	64,886	114,165
Special events	55,096				55,096	48,055
Contract services	53,812				53,812	37,240
Other			25,871	6,069	31,940	39,772
Total Expenses	\$ 14,884,774	\$ 936,088	\$ 469,474	\$ 1,483,442	\$ 17,773,778	\$ 15,872,584

See notes to financial statements.

SUN VALLEY COMMUNITY SCHOOL, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2025
With Comparative Totals for the Year Ended June 30, 2024

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,291,083	\$ 6,053,505
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,076,331	1,078,173
Loan fee amortization in interest expense	68,593	8,406
Realized gain on investment	(66,457)	(82,388)
Unrealized gain on investment	(1,273,853)	(1,237,194)
Restricted endowment contributions	(189,492)	(1,199,272)
Donor restricted contributions – capital campaign	(1,220,790)	0
Changes in operating assets and liabilities:		
Accounts receivable	0	48,433
Prepaid expenses	175	20,997
Other current assets	26,724	(18,059)
Accounts payable	191,367	(103,142)
Accrued liabilities	71,078	(90,690)
Deferred revenue	<u>558,120</u>	<u>(368,236)</u>
Net Cash Provided (Used) by Operating Activities	532,879	4,110,533
Cash Flows From Investing Activities		
Purchase of property and equipment	(406,344)	(2,438,783)
Proceeds from sale of investments	455,541	816,241
Purchase of investments	<u>(357,157)</u>	<u>(4,092,581)</u>
Net Cash Provided (Used) by Investing Activities	(307,960)	(5,715,123)
Cash Flows From Financing Activities		
Principal payments on long-term borrowings	(49,888)	(24,997)
Restricted endowment contributions	189,492	1,199,272
Donor restricted contributions – capital campaign	<u>1,220,790</u>	<u>0</u>
Net Cash Provided (Used) by Financing Activities	<u>1,360,394</u>	<u>1,174,275</u>
Net Change in Cash and Cash Equivalents	1,585,313	(430,315)
Cash and Restricted Cash Equivalents, Beginning of Year	<u>5,593,531</u>	<u>6,090,287</u>
Cash and Restricted Cash Equivalents, End of Year	<u>\$ 7,178,844</u>	<u>\$ 5,659,972</u>

See notes to financial statements.

SUN VALLEY COMMUNITY SCHOOL, INC.
STATEMENTS OF CASH FLOWS (Continued)
For the Year Ended June 30, 2025
With Comparative Totals for the Year Ended June 30, 2024

	<u>2025</u>	<u>2024</u> (Restated)
Reconciliation of Cash and Restricted Cash Balances:		
Cash	\$ 6,673,250	\$ 5,193,781
Restricted cash in endowment	<u>505,594</u>	<u>399,750</u>
Total Cash and Restricted Cash Balance	<u>\$ 7,178,844</u>	<u>\$ 5,593,531</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 256,232	\$ 161,518
Property purchased with debt	\$ 0	\$ 2,029,617

See notes to financial statements.

SUN VALLEY COMMUNITY SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Significant Accounting Policies

Nature of School

Sun Valley Community School, Inc. (the School) is a not-for-profit, co-educational preschool through twelfth grade day and boarding school, which has been continuously operating since 1973. Located in the mountains of Sun Valley, Idaho, the School's mission is: From our campus to the wilderness, Community School's mission is to inspire students to think critically, engage confidently, embrace challenges, and lead impactful, purposeful lives. The School accomplishes this mission via inquiry-based learning and encouraging students to identify and pursue their passions in an intimate environment of small classes and close faculty-student relationships. The School offers three signature programs: Creative Arts Academy, Outdoor Leadership Academy, and Sun Valley Ski Academy. The School's curriculum has been independently accredited by NWAIS and Cognia.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School reports net assets, revenues, expenses, gains and losses which are classified according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Use of Estimates

The School uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the School to significant concentrations of credit risk consist principally of cash and investments. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 and the Securities Investor Protection Corporation for up to \$500,000. At June 30, 2025 and 2024, the School's uninsured balances, which is comprised of cash and investments, totaled \$5,974,606 and \$3,925,169, respectively.

Accounts Receivable

Substantially all of the accounts receivable result from granting credit to enrolled students. The School establishes an allowance for credit losses for uncollectible student credit accounts based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance is adjusted by a provision for credit losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Property and equipment are stated at cost, or, if donated, at the estimated fair market value at the date of donation. Acquisitions of property and equipment with useful lives of at least two years and a cost basis in excess of \$5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

SUN VALLEY COMMUNITY SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Fair Value

The School uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principle or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short term, highly liquid nature.

Deferred Revenue

The School receives tuition during the summer months. Tuition revenue received prior to year-end for the following school year is deferred until school begins.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense. Cost are amortized using the interest method.

Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, 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 restriction.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related expenses are allocated based on actual employee time and effort. Supplies, depreciation, repairs & maintenance, insurance, and interest expenses are allocated based on approximate square footage by department. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$168,794 and \$94,037 for the years ended June 30, 2025 and 2024, respectively.

Presentation of Certain Taxes

The School collects sales tax related to the sale of in-kind donations during the auction event and remits these amounts to applicable taxing authorities. The School’s accounting policy is to exclude these taxes from revenues and cost of sales.

Income Taxes

The School is a not-for-profit school that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Investment in Workforce Housing Bonds

Sun Valley Community School, Inc. has investments in two workforce housing projects in Hailey, Idaho. These bond investments offer the school interest payments, return of principal at maturity, and access to residential rental units at below market rates for the benefit of its employees. The balances of the investment in the bonds at June 30, are as follows:

	<u>2025</u>	<u>2024</u>
Skyview Holdings, LLC –		
Subordinated Revenue Notes (Series E)	\$ 540,000	\$ 540,000
Empty Saddle Holdings, LLC –		
Subordinated Revenue Notes (Series E)	<u>450,000</u>	<u>500,000</u>
Total	<u>\$ 990,000</u>	<u>\$ 1,040,000</u>

The Skyview Holdings Series E bonds pay the School a 3% rate of interest, due semi-annually. These bonds mature on December 31, 2032. The issuer of these bonds, Skyview Holdings, LLC, and the bonds themselves do not hold any credit rating from any rating institution.

SUN VALLEY COMMUNITY SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Significant Accounting Policies (Continued)

Investment in Workforce Housing Bonds (Continued)

The Empty Saddle Holdings Series E bonds pay the School a 2.75% rate of interest, due semi-annually. These bonds mature on December 31, 2034. The issuer of these bonds, Empty Saddle Holdings, LLC, and the bonds themselves do not hold any credit rating from any rating institution. During fiscal year 2025, Sun Valley Community School received a principal and interest payment on these bonds.

These bond investments are secured by the underlying housing projects to which the bonds relate, and in the event of issuer default, the housing properties may be liquidated and the proceeds used to repay the bondholders. The bonds are subordinated to other senior creditors. Due to the lack of observable market activity for these securities and the use of significant unobservable inputs in determining fair value, these investments are classified within Level 3 of the fair value hierarchy. At June 30, 2025 and 2024, management estimated that the fair value of these bond investments approximated their cost and therefore there were no significant unrealized holding gains or losses. During the year ended June 30, 2025, the only change in the balance of these investments was a scheduled coupon payment, of which \$50,000 represented principal and is reflected as a reduction of the investment balance. Management has evaluated the credit quality of the issuer and other relevant factors and determined that these investments are not impaired.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2025 or 2024. The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years before 2021.

Reclassification

Certain reclassifications have been made to the June 30, 2024 financial statements to conform to the current year format. These reclassifications had no effect on the change in net assets for the year ended June 30, 2024.

Subsequent Events

Subsequent events have been evaluated through December 2, 2025, which is the date the financial statements were available to be issued.

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note B – Revenue Recognition

The School enters into enrollment contracts to provide educational services to students for an academic year. The contracted tuition and associated fees are determined based on the student’s grade level and reflect any need-based financial aid and scholarships awarded. Tuition revenue is recognized evenly over the enrollment period as services are provided.

	<u>2025</u>	<u>2024</u>
Tuition revenue	\$ 15,148,943	\$ 14,312,299
Tuition financial aid	(1,835,310)	(1,416,644)
After school, yearbook and other fees	<u>261,849</u>	<u>234,342</u>
Total	<u>\$ 13,575,482</u>	<u>\$ 13,129,997</u>

Tuition revenue may be paid in advance for the subsequent academic year and as such is considered deferred tuition revenue until the year in which the services are provided. Deferred tuition revenue is presented on the statement of financial position as of June 30, 2025 (with beginning balance shown at June 30, 2024) as follows:

	<u>2025</u>	<u>2024</u>
Deferred tuition revenue	<u>\$ 2,351,750</u>	<u>\$ 1,793,630</u>

Management has determined there were no circumstances that would require contract assets to be recorded on the School’s statement of financial position at June 30, 2025.

Note C – Liquidity and Availability of Resources

The School’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	<u>\$ 6,673,250</u>
Total financial assets available within one year	6,673,250
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>(1,220,790)</u>
Total financial assets available within one year after restriction	<u>\$ 5,452,460</u>

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note C – Liquidity and Availability of Resources (Continued)

As part of the School'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. At June 30, 2025, all net assets without donor restrictions are available for payment of any major expenditures incurred, except for contributions receivable which are available when the receivable is collected which is expected within the next year and the expenditure is incurred.

Note D – Investments

Investments, included in the endowment on the statement of financial position, as of June 30, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Cost	\$ 10,015,929	\$ 9,892,012
Unrealized gain	<u>3,968,643</u>	<u>2,694,790</u>
Fair value	<u>\$ 13,984,572</u>	<u>\$ 12,586,802</u>

Investment gain consists of the following for the years ended June:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 291,420	\$ 240,954
Unrealized gain	1,273,853	1,237,194
Realized gain	66,457	82,388
Portfolio management fees	<u>(69,459)</u>	<u>(74,114)</u>
	<u>\$ 1,562,271</u>	<u>\$ 1,486,422</u>

SUN VALLEY COMMUNITY SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

Note E – Fair Value of Assets and Liabilities

The fair value hierarchy 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 are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value instrument. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The School's investments are held in money market funds, exchange-traded funds, and housing bonds. The money market and exchange-traded funds have been valued based on the closing market price of the exchange traded-funds at June 30 and are considered to be Level 1 assets as shown below.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note E – Fair Value of Assets and Liabilities (Continued)

The following table sets forth by level, within the fair value hierarchy, the School’s investments at fair value measured on a recurring basis as of June 30:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2025				
Money market funds	\$ 505,594	\$ 505,594	\$	\$
Exchange-traded funds	13,478,978	13,478,978		
Housing bonds	<u>990,000</u>			<u>990,000</u>
Total	<u>\$ 14,974,572</u>	<u>\$ 13,984,572</u>	<u>\$ 0</u>	<u>\$ 990,000</u>
	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2024				
Money market funds	\$ 399,750	\$ 399,750	\$	\$
Exchange-traded funds	12,187,052	12,187,052		
Housing bonds	<u>1,040,000</u>			<u>1,040,000</u>
Total	<u>\$ 13,626,802</u>	<u>\$ 12,586,802</u>	<u>\$ 0</u>	<u>\$ 1,040,000</u>

Note F – Property and Equipment

At June 30, property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>
Buildings	\$ 31,183,529	\$ 31,183,529
Land	12,301,696	12,261,965
Equipment	2,056,105	2,056,105
Furniture and fixtures	1,044,546	1,246,785
Vehicles	1,043,696	1,043,696
Construction in progress	<u>784,753</u>	<u>215,901</u>
	48,414,325	48,007,981
Less accumulated depreciation	<u>(18,555,175)</u>	<u>(17,478,844)</u>
	<u>\$ 29,859,150</u>	<u>\$ 30,529,137</u>

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note F – Property and Equipment (Continued)

Total depreciation expense for the years ended June 30, 2025 and 2024 was \$1,076,331 and \$1,078,173, respectively. Included in the amounts listed above are the Dumke Family Sagewillow Campus, the Trail Creek Campus, and Ketchum Residential Campus.

Note G – Long Term Debt

Long-term debt consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Note payable to Zions First National Bank secured by real property. Monthly payments due under the note are interest only at 6.99%, with annual principal payment reductions every year at July 30 th . At September 2028, the interest rate may change based on an index rate plus 3.15%. The note matures October 2033.	\$ 3,062,350	\$ 3,110,000
Note payable to Chase Bank secured by real property. Monthly payments due under the note total \$2,840 including interest at 3.5% until August 2030, when the rate may change based on an index rate plus 2.5%. The note matures August 2050.	<u>569,695</u>	<u>571,933</u>
	3,632,045	3,681,933
Less loan fees, net of accumulated amortization of \$244,692 and \$176,099, respectively	0	(68,593)
Less current portion	<u>(65,504)</u>	<u>(61,569)</u>
	<u>\$ 3,566,541</u>	<u>\$ 3,551,771</u>

The aggregate principle maturities of all long-term debt for each of the years succeeding June 30, 2025 are as follows:

2026	\$ 65,504
2027	69,705
2028	73,878
2029	80,287
2030	84,935
Thereafter	<u>3,257,736</u>
	<u>\$ 3,632,045</u>

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note H – Retirement Plan

The School maintains a qualified 403(b) plan. Monthly employer contributions between 5%-7% of compensation are made for eligible employees as defined within the plan documents. Voluntary employee contributions are also permitted for eligible employees. All amounts are fully vested at the time of contribution. Contributions in the amount of \$493,890 and \$493,837 were made during the fiscal years ended June 30, 2025 and 2024, respectively.

Note I – Net Assets

The detail of the School’s net asset categories at June 30, is as follows:

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Without donor restrictions:		
Invested in property and equipment, net of debt	\$ 26,292,609	\$ 26,977,366
Board designated – endowment	6,714,056	6,053,159
Undesignated surplus	<u>3,870,504</u>	<u>4,457,282</u>
Total without donor restrictions	36,877,169	37,487,807
With donor restrictions:		
Endowment	7,270,516	6,533,643
Capital campaign funds	1,220,790	0
Future projects	<u>0</u>	<u>55,942</u>
Total with donor restrictions	<u>8,491,306</u>	<u>6,589,585</u>
Total net assets	<u>\$ 45,368,475</u>	<u>\$ 44,077,392</u>

Note J – Endowment

The School’s endowment includes both unrestricted funds and donor-restricted funds designated by the Board of Trustees to function as an endowment established for the primary purpose of providing support to the School to ensure the strength, stability and independence of the School in perpetuity. Net assets associated with endowment funds are classified and reported based on the absence or existence of donor-imposed restrictions.

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note J – Endowment (Continued)

The donor-restricted funds within the endowment are classified as assets with donor restrictions and include (a) the original value of such gifts and (b) interest and investment gains and losses thereon. The board-designated funds are classified as assets without donor restrictions.

Endowment assets consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 505,594	\$ 399,750
Investments	<u>13,478,978</u>	<u>12,187,052</u>
	<u>\$ 13,984,572</u>	<u>\$ 12,586,802</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,053,159	\$ 6,533,643	\$ 12,586,802
Interest and dividend income, net of expense	108,967	112,994	221,961
Net appreciation (realized and unrealized)	630,587	709,722	1,340,309
Contributions	121,007	189,492	310,499
Distributions	<u>(199,664)</u>	<u>(275,335)</u>	<u>(474,999)</u>
Change in endowment net assets	<u>660,897</u>	<u>736,873</u>	<u>1,397,770</u>
Endowment net assets, end of year	<u>\$ 6,714,056</u>	<u>\$ 7,270,516</u>	<u>\$ 13,984,572</u>

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note J – Endowment (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,314,659	\$ 5,564,371	\$ 9,879,030
Interest and dividend income, net of expense	74,614	92,226	166,840
Net appreciation (realized and unrealized)	534,536	785,046	1,319,582
Contributions	1,289,350	322,000	1,611,350
Distributions	<u>(160,000)</u>	<u>(230,000)</u>	<u>(390,000)</u>
Change in endowment net assets	<u>1,738,500</u>	<u>969,272</u>	<u>2,707,772</u>
Endowment net assets, end of year	<u>\$ 6,053,159</u>	<u>\$ 6,533,643</u>	<u>\$ 12,586,802</u>

Net assets with donor restrictions at June 30, 2025 and 2024 consisted of funds to support student scholarships, signature educational programs, key faculty positions, and employee benefits and enrichment.

Investment Policy

The School has adopted an investment policy with the objectives to preserve and enhance the real purchasing power of the investment assets over time, while providing a predictable contribution to the annual operating budget. Investable assets include both unrestricted board-designated funds and donor-restricted funds that the School must hold for a donor-specified purpose.

Investment Strategy

The endowment's investment strategy is based on a broadly diversified approach to asset allocation. This asset allocation strategy is comprised of a total return strategy intended to achieve both capital appreciation (realized and unrealized gains) and current income (interest and dividends).

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note J – Endowment (Continued)

Spending Policy

The spending objective for the endowment is to support the current operations of the School both consistently and to the greatest extent possible without diminishing future purchasing power. Given current risk-adjusted return expectations, the annual draw rate is set at 4% multiplied by the rolling average of the prior twelve quarter-ending endowment values.

Unless otherwise directed by the provisions of any donor-restricted funds, the Board of Trustees shall determine the annual distributions from each endowment fund in accordance with the Uniform Prudent Management of Institutional Funds Act, Chapter 50, Title 33, Idaho Code Section 33-5001, et seq.

Note K – Related Parties

During the years ended June 30, 2025 and 2024, members of the Board of Directors donated \$592,244 and \$3,082,435, respectively, to the School. In fiscal year 2025, these donations were made primarily to support the improvement of the Dumke Family Sagewillow Campus athletic fields and in support of the capital campaign goals.

Note L – Capital Campaign

In September, 2024, the School's Board of Trustees approved the initiation of a capital fundraising campaign. The objective of this campaign is to raise funds to support three key institutional goals (pillars): Endowment growth, Employee housing, and Athletic facilities. As of June 30, 2025, the School has received approximately \$1,551,797 in contributions and unconditional promises to give (pledges) related to this campaign.

SUN VALLEY COMMUNITY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

Note M – Restatement

During 2025, management determined that teacher contracts payable had been overstated by \$529,030 as of June 30, 2024. The overstatement was related to recognition of an accrued liability that represented salaries for full-time teachers that were paid during the summer months of July and August when school was not in session. Due to the nature of the employment agreements between full-time teachers and the School, management determined that full-time teacher salaries paid for those summer months that were previously recognized as an accrued liability, did not meet the definition of a liability at June 30, 2024. The changes to accrued teacher contracts payable and related balances for the year ended June 30, 2024 are summarized as follows:

	<u>As Previously</u>		<u>Restated</u>
	<u>Reported</u>		
Accrued payroll liabilities	\$ 569,779	\$	40,479
Net assets – end of year	\$ 43,548,362	\$	44,077,392
Salaries expense	\$ 1,375,636	\$	1,309,195