

**THE DA VINCI DISCOVERY CENTER OF
SCIENCE AND TECHNOLOGY, INC**

FINANCIAL REPORT

June 30, 2015

**BUCKNO
LISICKY** 
& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

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Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The Da Vinci Discovery Center of Science and Technology, Inc.

We have audited the accompanying financial statements of The Da Vinci Discovery Center of Science and Technology, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Da Vinci Discovery Center of Science and Technology, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Buckno Lisicky + Company

Allentown, Pennsylvania
November 17, 2015

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 499,515	\$ 490,369
Certificates of deposit	750,000	-
Accounts receivable	49,526	454,707
Grants receivable	187,500	621,224
Unconditional promises to give	69,165	72,202
Inventory	19,059	19,372
Prepaid expenses	<u>219,216</u>	<u>103,207</u>
Total current assets	<u>1,793,981</u>	<u>1,761,081</u>
Collections (Note 1)		
NONCURRENT ASSETS		
Unconditional promises to give	-	6,000
Property and equipment, net	6,320,622	6,596,345
Deferred costs	42,576	46,680
Other assets	<u>-</u>	<u>67,520</u>
Total noncurrent assets	<u>6,363,198</u>	<u>6,716,545</u>
Total assets	<u>\$ 8,157,179</u>	<u>\$ 8,477,626</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 49,948	\$ 186,659
Short term loan payable	-	240,000
Related party loan payable	-	170,000
Accounts payable and other liabilities	140,415	143,868
Accrued expenses	62,115	46,482
Deferred revenue	398,606	186,091
Refundable advances	3,655	5,000
Total current liabilities	654,739	978,100
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	1,182,996	1,244,716
Total noncurrent liabilities	1,182,996	1,244,716
Total liabilities	1,837,735	2,222,816
NET ASSETS		
Unrestricted		
Available for operations	(552,348)	(562,799)
Board designated	50,000	50,000
Investment in property and equipment	6,320,622	6,596,345
Total unrestricted	5,818,274	6,083,546
Temporarily restricted	501,170	171,264
Total net assets	6,319,444	6,254,810
Total liabilities and net assets	\$ 8,157,179	\$ 8,477,626

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT			
REVENUES			
Admissions, workshops, and programs	\$ 904,769	\$ -	\$ 904,769
Gift shop	186,764	-	186,764
Membership	141,672	-	141,672
Guest experience	47,281	-	47,281
Other	1,417	-	1,417
Special events	131,305	-	131,305
Investment return	<u>144</u>	<u>17</u>	<u>161</u>
Total revenues	<u>1,413,352</u>	<u>17</u>	<u>1,413,369</u>
SUPPORT			
Contributions	361,910	341,022	702,932
Grants, government	-	261,527	261,527
Grants, private	-	404,014	404,014
Donated materials and services	<u>211,032</u>	<u>-</u>	<u>211,032</u>
Total support	<u>572,942</u>	<u>1,006,563</u>	<u>1,579,505</u>
Net assets released from restrictions	<u>676,674</u>	<u>(676,674)</u>	<u>-</u>
Total revenue and support	<u>2,662,968</u>	<u>329,906</u>	<u>2,992,874</u>
EXPENSES AND LOSSES			
Program services	2,182,979	-	2,182,979
Supporting services:			
Management and general	441,576	-	441,576
Fund raising	250,461	-	250,461
Loss on disposal of assets	<u>53,224</u>	<u>-</u>	<u>53,224</u>
Total expenses and losses	<u>2,928,240</u>	<u>-</u>	<u>2,928,240</u>
CHANGE IN NET ASSETS	<u>(265,272)</u>	<u>329,906</u>	<u>64,634</u>
Net assets, beginning as previously reported	6,083,546	171,264	6,254,810
Prior period adjustment (Note 14)	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, beginning, as restated	<u>6,083,546</u>	<u>171,264</u>	<u>6,254,810</u>
Net assets, ending, as restated	<u>\$ 5,818,274</u>	<u>\$ 501,170</u>	<u>\$ 6,319,444</u>

See Notes to Financial Statements.

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ 866,494	\$ -	\$ 866,494
195,703	-	195,703
117,543	-	117,543
36,828	-	36,828
1,669	-	1,669
167,178	-	167,178
696	-	696
1,386,111	-	1,386,111
190,325	436,520	626,845
-	800,276	800,276
-	171,223	171,223
213,316	-	213,316
403,641	1,408,019	1,811,660
1,424,154	(1,424,154)	-
3,213,906	(16,135)	3,197,771
1,890,256	-	1,890,256
472,086	-	472,086
280,012	-	280,012
12,045	-	12,045
2,654,399	-	2,654,399
559,507	(16,135)	543,372
5,553,239	187,399	5,740,638
(29,200)	-	(29,200)
5,524,039	187,399	5,711,438
\$ 6,083,546	\$ 171,264	\$ 6,254,810

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2015 and 2014

	2015			
	Supporting Services			
	Program Services	Management and General	Fund Raising	Total
Personnel:				
Salaries	\$ 806,238	\$ 181,136	\$ 127,929	\$ 1,115,303
Employee benefits	86,653	7,464	6,648	100,765
Payroll taxes	77,609	13,818	10,485	101,912
Payroll services	-	3,979	-	3,979
Travel	9,872	1,473	345	11,690
Total personnel	<u>980,372</u>	<u>207,870</u>	<u>145,407</u>	<u>1,333,649</u>
Advertising	147,899	-	-	147,899
Auto expense	8,102	-	-	8,102
Amortization	38,559	9,762	488	48,809
Bad debt expense	-	970	-	970
Bank charges	19,713	3,983	353	24,049
Business meals and meetings	10,889	748	1,351	12,988
Communications	1,395	17,438	-	18,833
Computer costs	-	10,265	3,281	13,546
Depreciation	235,044	55,937	1,999	292,980
Dues and subscriptions	1,195	1,579	75	2,849
Educational and exhibit supplies	95,316	-	-	95,316
Equipment rental	1,712	16,282	-	17,994
Exhibit rental	194,725	-	-	194,725
Insurance	23,281	5,366	-	28,647
Interest expense	37,685	9,540	477	47,702
Miscellaneous	1,825	3,530	327	5,682
Occupancy	135,187	34,225	1,711	171,123
Office supplies	-	8,462	739	9,201
Postage	2,902	1,347	867	5,116
Printing	6,569	-	1,480	8,049
Professional services	121,856	53,480	319	175,655
Purchases for resale, gift shop	88,363	-	-	88,363
Recruiting	407	792	-	1,199
Repairs and maintenance	5,101	-	-	5,101
Special events	24,882	-	91,587	116,469
	<u>1,202,607</u>	<u>233,706</u>	<u>105,054</u>	<u>1,541,367</u>
	<u>\$2,182,979</u>	<u>\$ 441,576</u>	<u>\$ 250,461</u>	<u>\$ 2,875,016</u>

See Notes to Financial Statements.

2014

Supporting Services			
Program Services	Management and General	Fund Raising	Total
\$ 719,702	\$ 183,167	\$ 153,050	\$1,055,919
54,827	12,958	19,358	87,143
69,582	16,041	18,927	104,550
116	3,994	-	4,110
2,708	9,401	119	12,228
<u>846,935</u>	<u>225,561</u>	<u>191,454</u>	<u>1,263,950</u>
79,651	-	-	79,651
3,289	-	5	3,294
5,126	1,298	65	6,489
-	-	-	-
18,539	5,426	141	24,106
6,870	1,416	1,899	10,185
-	19,479	-	19,479
-	12,283	-	12,283
231,327	60,051	1,976	293,354
300	2,189	1,860	4,349
97,988	-	-	97,988
9,940	16,150	-	26,090
117,096	-	-	117,096
904	24,035	-	24,939
54,752	13,861	693	69,306
3,189	896	8,412	12,497
136,984	34,679	1,734	173,397
-	18,015	15,215	33,230
108	1,310	3,685	5,103
-	191	8,363	8,554
116,396	33,893	8,275	158,564
101,737	-	-	101,737
346	1,353	-	1,699
-	-	-	-
58,779	-	36,235	95,014
<u>1,043,321</u>	<u>246,525</u>	<u>88,558</u>	<u>1,378,404</u>
<u>\$1,890,256</u>	<u>\$ 472,086</u>	<u>\$ 280,012</u>	<u>\$2,642,354</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 64,634	\$ 543,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	292,980	293,354
Amortization expense	48,809	6,489
Loss on disposal of assets	53,224	12,045
Donated equipment and exhibits	-	(92,034)
(Increase) decrease in assets:		
Accounts receivable	405,181	(48,360)
Grants receivable	433,724	(505,898)
Unconditional promises to give	9,037	9,605
Inventory	313	17,424
Prepaid expenses	(116,009)	(12,070)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,453)	31,177
Accrued compensation	15,633	2,219
Deferred revenue	212,514	21,148
Refundable advances	(1,345)	5,000
	<u>1,415,242</u>	<u>283,471</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(750,000)	-
Maturities of investments	-	7,510
Increase in deferred costs	(44,705)	(9,698)
Purchase of property and equipment	(2,960)	(490,105)
	<u>(797,665)</u>	<u>(492,293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) on short term loan payable	(240,000)	240,000
Proceeds (payments) on related party loan payable	(170,000)	170,000
Principal payments on long-term debt	(198,431)	(170,515)
	<u>(608,431)</u>	<u>239,485</u>
Net increase in cash and cash equivalents	9,146	30,663
CASH AND CASH EQUIVALENTS, beginning	<u>490,369</u>	<u>459,706</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 499,515</u>	<u>\$ 490,369</u>

See Notes to Financial Statements.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 71,109</u>	<u>\$ 86,385</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of materials, marketing, supplies and services	<u>\$ 211,032</u>	<u>\$ 121,283</u>
Contribution of equipment and exhibits	<u>\$ -</u>	<u>\$ 92,034</u>
Note payable refinancing	<u>\$ 1,240,000</u>	<u>\$ -</u>

See Notes to Financial Statements.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Description of entity:

Mission: The Da Vinci Discovery Center of Science and Technology, Inc. (Da Vinci Science Center or Center) is a Pennsylvania nonprofit corporation whose mission is to bring science to life and lives to science.

Service Area: The Center is located in Pennsylvania's Lehigh Valley, approximately 65 miles north of Philadelphia, Pa., and 90 miles west of New York, N.Y. Its primary service area is eastern Pennsylvania and western New Jersey—home to 3.8 million people.

Need: According to the 2011 National Assessment of Educational Progress, 28% of 4th graders, 37% of 8th graders, and 40% of high school seniors did not meet the basic standards of science knowledge. Even when matching advanced 8th graders with their international counterparts, U.S. students still only out-ranked Portugal, Greece, Turkey, and Mexico. In parts of the Da Vinci Science Center's service area, less than 35 percent of students are considered proficient in science. The region's powerful and innovative industries – including healthcare, energy, and manufacturing – report that there is a growing demand for workers with a high level of knowledge in science, technology, engineering, and math (STEM). With baby boomers skilled in STEM fields soon to retire, the need will be even greater over the next decade.

Response to Need: The Da Vinci Science Center is dedicated to meeting the demand for a STEM workforce by stimulating interest and appreciation for science and technology in young people and the adults who influence them. The Center provides inquiry-based science learning experiences for individuals of all ages, connects people with the wonders of science in all aspects of their lives, and highlights innovative science and technology careers. The Center also encourages active learning, curiosity, creativity, and imagination – traits inspired by Leonardo da Vinci and the transformative figures that have succeeded him into the 21st century.

Programs and Services: To strengthen interest and achievement in science, the Da Vinci Science Center offers the following:

- a dynamic two-story exhibit floor that facilitates inquiry-based learning through hands-on exhibits and programs;
- inquiry-based science outreach programs delivered in schools and at community sites;
- professional development programs that train teachers in inquiry; and
- regional workforce initiatives that integrate limited-engagement exhibits with programs highlighting employment opportunities.
- An urban mentoring partnership that brings mentorship to girls and low income youth, the most underrepresented populations in the STEM workforce, and is part of a national movement to add 1 million new STEM mentors by 2020.

A wide variety of programs are offered at the Center including school workshops; summer camps; scout badge days and overnights; and lectures, demonstrations, and hands-on activities for the general public. Programs offered in the community range

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

from small-scale after school programs to large-scale programs like the Science Festival of the Lehigh Valley. Professional development programs include the nationally-recognized Math-Science Partnership Program serving the Allentown School District and developed in collaboration with area colleges and universities. Also, through collaboration with community organizations such as the Allentown Library, The Baum School of Art, the Civic Theatre of Allentown, Communities In Schools, and the United Way, the Center is able to offer experiences integrating the sciences with the arts, and to expand the programs available for youth from lower socioeconomic backgrounds where the need is the greatest.

Honors and Awards: The Da Vinci Science Center has achieved national and regional recognition, including the following:

- Recognition of the Center's math science partnership as one of the nation's 20 best professional development programs by the U.S. Department of Education.
- The National Science Teachers Association's (NSTA) national Distinguished Informal Science Educator Award for David Smith, Ph.D., the Center's Senior Director of Science and Strategic Initiatives.
- One of three national grand prizes from the US2020 City Competition for its STEM mentoring coalition, a group of more than 30 companies and organizations founded by the Da Vinci Science Center.
- The United Way of the Lehigh Valley's 2014 Innovator's Award for collaborating with schools in the community to inspire students to explore science, technology, engineering, and mathematics (STEM).

Impact: The Center's impact can be measured by the number of individuals served and the impact of science learning experiences on student learning and career plans. In FY 2015, 128K people participated in Da Vinci Science Center experiences. Over the last three years, regional workforce initiatives developed in partnership with industry leaders have exposed over 350K participants in Center experiences to STEM careers. More important than the numbers served, Center experiences have resulted in substantial and independently measurable increases in student learning and interest in science by students in urban schools.

To help students and the region thrive, students need the opportunity to deeply explore the STEM disciplines. True STEM education transforms the teaching and learning experience, connects learning to relevant regional career opportunities and economic growth clusters, gives students a leg up in college, and—ultimately—builds the next generation of problem solvers, innovators, inventors, collaborators and leaders. Da Vinci Science Center programs are changing the trajectory of students' lives and the development of the region.

Financial statement presentation:

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

Unrestricted Net Assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Trustees.

Temporarily Restricted Net Assets - subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Trustees or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets - subject to donor-imposed stipulations that are to be maintained permanently. Generally, donors permit the income earned on the related investments to be used for general or specific purposes. As of June 30, 2015 and 2014 the Center has no permanently restricted net assets.

Basis of accounting:

The financial statements of the Center have been prepared on the accrual basis and reflect all significant receivables, payables and other liabilities.

Cash and cash equivalents:

Cash and cash equivalents includes, when purchased, short-term highly liquid investments, which are readily convertible into cash within 90 days.

Accounts receivable:

Accounts receivable are stated at unpaid balances. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on prior collection experience, analysis of customer's ability to pay, economic conditions and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2015 and 2014, management has determined that no allowance is required.

Promises to give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Inventory:

Inventory consists of educational products and souvenir items held for resale. These items are stated at the lower of cost or market valued on a first-in, first-out basis.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

Property and equipment:

Property and equipment of \$1,000 or more are recorded at cost, if purchased, or at fair market value at date of donation if received by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. All expenditures for maintenance and repairs are expensed in the period incurred.

Deferred costs:

Deferred costs are costs incurred related to the refinancing of the Center's debt. These costs are being amortized on a straight-line basis over the life of the loan.

Collections:

The Leonardo da Vinci Horse, Inc. collections of the Center are not recognized as assets on the statements of financial position. Contributed collection items are not reflected in the financial statements. Proceeds from the sales of these items are reflected as increases in the appropriate net assets classes. The Center's collections, acquired with the Leonardo da Vinci Horse, Inc. merger in July 2003, are made up of art objects held for educational and curatorial purposes.

Copyrights and trademarks:

The Center owns copyrights and trademarks for Da Vinci horse sculptures. Royalties from related items are reflected as increases in the appropriate net assets classes.

Income taxes:

The Internal Revenue Service recognizes the Center as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

The Center continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

The Center files a Return of Organization Exempt from Income Tax annually. The Center's returns for 2011, 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Advertising:

The Center expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2015 and 2014 were \$147,899 and \$79,651 (of which \$85,152 and \$17,774 was in-kind), respectively.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO 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 estimations 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format.

Date of management's review:

The Center has evaluated subsequent events through November 17, 2015, the date which the financial statements were available to be issued.

Note 2. Promises to Give

Unconditional Promises to Give

Contributions arising from unconditional promises to give consist of the following:

	<u>2015</u>	<u>2014</u>
Unrestricted contributions	\$ 31,999	\$ 72,202
Restricted to cost of facilities, exhibits, time or other programs	<u>37,166</u>	<u>6,000</u>
	<u>\$ 69,165</u>	<u>\$ 78,202</u>

Unconditional promises to give are expected to be realized as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 69,165	\$ 72,202
One to five years	<u>-</u>	<u>6,000</u>
	<u>\$ 69,165</u>	<u>\$ 78,202</u>

Note 3. Property and Equipment

Property and equipment as of June 30, 2015 and 2014 is as follows:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

	<u>2015</u>	<u>2014</u>
Autos, equipment and exhibitry	\$ 1,339,725	1,405,785
Building and building improvements	7,998,431	7,998,431
Gift store	<u>32,499</u>	<u>32,499</u>
	9,370,655	9,436,715
Less accumulated depreciation	<u>3,050,033</u>	<u>2,840,370</u>
	<u>\$ 6,320,622</u>	<u>\$ 6,596,345</u>

Note 4. Deferred Costs

Deferred costs as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Loan refinancing fees	\$ 44,705	\$ 89,639
Accumulated amortization	<u>(2,129)</u>	<u>(42,959)</u>
	<u>\$ 42,576</u>	<u>\$ 46,680</u>

Estimated amortization expense for the next five years is as follows:

<u>Year Ended June 30,</u>	
2016	\$ 6,386
2017	6,386
2018	6,386
2019	6,386
2020	6,386

Note 5. Line of Credit, Related Party Loan Payable and Short Term Loan Payable

Line of Credit

The Center has a \$200,000 bank line of credit for operations. The line is secured by substantially all of the assets of the Center. Interest on the line of credit is payable monthly at the Wall Street Journal prime rate. The minimum interest rate on the line of credit was 4.25%. There were no outstanding balances as of June 30, 2015 and 2014. The line of credit expires on December 31, 2015 unless extended by the Bank. The line of credit will be subject to certain financial covenants beginning December 31, 2015.

Related Party Loan Payable

The Center received bridge funding of \$170,000 from a related party in July 2013. The loan was non-interest bearing and was due at the time funds were received from the Redevelopment Assistance Capital Program note payable. The loan was paid off on

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

NOTES TO FINANCIAL STATEMENTS

August 5, 2014. As of June 30, 2015 and 2014 the amount due on the note was \$0 and \$170,000, respectively.

Short-Term Loan Payable

The Center also had a non-revolving construction line of credit in the maximum amount of 100% of total construction costs reimbursable by the Pennsylvania Redevelopment Assistance Capital Program funding or \$327,000 whichever is less. Interest on the line of credit was payable monthly at the bank's prime rate plus .5%. The minimum interest rate on the line of credit was 4.00%. The construction line of credit was paid off on August 6, 2014. As of June 30, 2015 and 2014 the amount due under the line is \$0 and \$240,000, respectively.

Note 6. Long-Term Debt

	<u>2015</u>	<u>2014</u>
Note payable, bank		
Annual installments of \$233,417 through December 28, 2018. Thereafter, commencing December 28, 2019 and on December 28, 2020, the Center shall make two payments of principal and interest in an amount sufficient to amortize the loan in approximately equal payments. Interest is 3.54% until December 28, 2018, from December 28, 2018 to December 28, 2020 at a variable rate equal to the Prime rate less 0.25%. The Note was secured by all present and future pledge commitments and all other assets of the Center with the exception of the building. This note was refinanced on April 1, 2015.	\$ -	\$ 1,422,499
Note payable, bank		
Payable in monthly payments of \$7,003 (\$84,036 annually) including interest at 3.15%. All principal and interest is due on March 1, 2022. The note is secured by substantially all the assets of the Center.	1,228,506	-

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	<u>2015</u>	<u>2014</u>
Note payable, bank		
Annual installments of \$4,438 on August 15th of each year through August 15, 2015.		
Interest on the note accrues at 5.70% per year.		
All remaining principal and interest is due at maturity on August 15, 2015. The note is secured by a vehicle.	4,438	8,876
	1,232,944	1,431,375
Less current maturities	49,948	186,659
	<u>\$ 1,182,996</u>	<u>\$ 1,244,716</u>

The long-term debt is subject to several financial covenants. As of June 30, 2015, the Center is in compliance with all financial covenants.

Scheduled maturities of long-term debt are as follows:

Year ending <u>June 30,</u>	
2016	\$ 49,948
2017	47,071
2018	48,577
2019	50,132
2020	51,649
Thereafter	985,567
	<u>\$ 1,232,944</u>

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Building project	\$ -	\$ 15,100
Future operations	-	6,000
Future capital project	195,111	-
Preschool exhibit	80,000	-
Other programs and time restricted	226,059	150,164
	<u>\$ 501,170</u>	<u>\$ 171,264</u>

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NOTES TO FINANCIAL STATEMENTS

Note 8. Commitments

The Center leases various equipment under non-cancellable operating leases. Rent expense under these leases was \$69,755 and \$71,401 for the years ended June 30, 2015 and 2014 respectively. In addition, the Center has entered into several long-term maintenance contracts on exhibits, security and building equipment. Future minimum payments under these non-cancellable arrangements with remaining terms in excess of one year are as follows:

Year ending <u>June 30,</u>	
2016	\$ 47,760
2017	34,330
2018	28,384
2019	31,604
2020	<u>37,736</u>
	<u>\$ 179,814</u>

Note 9. Ground Lease

The Center has a ground lease with Cedar Crest College upon which its facility is located. The lease calls for the Center to pay \$1 per year for the use of the land. The initial term of the lease continues through September 2033. The Center has the option to extend the lease an additional twenty years from the initial lease termination date. Upon the termination of the lease, the building is required to be transferred to Cedar Crest College.

Based on an estimate of the fair value of the lease, the Center recorded \$52,800 of contribution income for each of the years ended June 30, 2015 and 2014, related to this lease.

Note 10. Concentrations

Cash Balances

At times, the Center bank balances are in excess of FDIC limits. The Center has not experienced any losses as a result of these uninsured cash balances. During the year ended June 30, 2015, the Center took action to mitigate a majority of this risk by purchasing three separate certificates of deposit totaling \$750,000 that are insured by the FDIC.

Note 11. Donated Materials and Contributed Services

Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the

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period received. Donated materials and contributed services are recorded as revenue and expense in the accompanying statements of activities at fair market value on the date of receipt. Donated materials and contributed services from special events and promotions are included in special events revenue, and netted against promotions and awards expense. Donated materials and contributed services totaling \$211,032 and \$213,316 were charged to educational programs and services during the years ended June 30, 2015 and 2014, respectively.

Note 12. Retirement Plans

Defined Contribution Plan

The Center has established The Da Vinci Discovery Center of Science and Technology, Inc. 403(b) Plan. Full time employees and employees who work at least 1,000 hours during a 12 month consecutive period are eligible to contribute to the retirement plan. Upon reaching the age of 21 and completion of one full year of service, participating employees become eligible to receive matching contributions as defined by the plan documents.

There was no pension expense for the years ended June 30, 2015 and 2014, as the Center made no matching contributions to the plan.

Note 13. Related Party Transactions

Board members have pledges due to the Center that represented approximately 8% and 28% of total unconditional promises to give as of June 30, 2015 and 2014, respectively.

Note 14. Restatement of Unrestricted Net Assets

The Center has restated its unrestricted net assets as of July 1, 2013 to reflect a correction of an error in the valuation of certain assets. The effect of the restatement was to decrease unrestricted net assets by \$29,200 and to decrease other assets by \$29,200. The effect of the restatement on previously reported statement of financial position line items as of June 30, 2014 is as follows:

	As Previously Reported	As Restated
<u>Statement of financial position:</u>		
Other assets	\$ 96,720	\$ 67,520
Unrestricted net assets	6,112,746	6,083,546

The restatement had no effect on the statement of activities reported for the year ended June 30, 2014.