

THE DA VINCI DISCOVERY CENTER OF
SCIENCE AND TECHNOLOGY, INC

FINANCIAL REPORT

June 30, 2014

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& 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, 2014 and 2013, 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, 2014 and 2013, 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 14, 2014

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 490,369	\$ 459,706
Investments, unrestricted	-	7,510
Accounts receivable	454,707	5,270
Grants receivable	621,224	115,326
Unconditional promises to give	72,202	62,236
Inventory	19,372	36,796
Prepaid expenses	103,207	91,137
Total current assets	<u>1,761,081</u>	<u>777,981</u>
Collections (Note 1)		
NONCURRENT ASSETS		
Unconditional promises to give	6,000	25,571
Property and equipment, net	6,596,345	6,817,402
Deferred costs	46,680	43,471
Other assets	96,720	-
Total noncurrent assets	<u>6,745,745</u>	<u>6,886,444</u>
Total assets	<u>\$ 8,506,826</u>	<u>\$ 7,664,425</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 186,659	\$ 171,541
Short term loan payable	240,000	-
Related party loan payable	170,000	-
Accounts payable and accrued expenses	143,868	112,691
Accrued compensation	46,482	44,263
Deferred revenue	186,091	164,943
Refundable advances	5,000	-
Total current liabilities	978,100	493,438
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	1,244,716	1,430,349
Total noncurrent liabilities	1,244,716	1,430,349
Total liabilities	2,222,816	1,923,787
NET ASSETS		
Unrestricted		
Available for operations	(533,599)	(1,314,163)
Board designated	50,000	50,000
Investment in property and equipment	6,596,345	6,817,402
Total unrestricted	6,112,746	5,553,239
Temporarily restricted		
Building project	15,100	23,708
Future operations	6,000	16,863
Other programs and time restricted	150,164	146,828
Total temporarily restricted	171,264	187,399
Total net assets	6,284,010	5,740,638
Total liabilities and net assets	\$ 8,506,826	\$ 7,664,425

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

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT			
REVENUES			
Admissions, workshops, and programs	\$ 866,494	\$ -	\$ 866,494
Gift shop	195,703	-	195,703
Membership	117,543	-	117,543
Guest experience	36,828	-	36,828
Other	1,669	-	1,669
Special events	167,178	-	167,178
Investment return	696	-	696
Total revenues	<u>1,386,111</u>	<u>-</u>	<u>1,386,111</u>
SUPPORT			
Contributions	190,325	436,520	626,845
Grants, government	-	800,276	800,276
Grants, private	-	171,223	171,223
Donated materials and services	213,316	-	213,316
Total support	<u>403,641</u>	<u>1,408,019</u>	<u>1,811,660</u>
Net assets released from restrictions	<u>1,424,154</u>	<u>(1,424,154)</u>	<u>-</u>
Total revenue and support	<u>3,213,906</u>	<u>(16,135)</u>	<u>3,197,771</u>
EXPENSES AND LOSSES			
Program services	1,830,378	-	1,830,378
Supporting services:			
Management and general	532,722	-	532,722
Fund raising	279,254	-	279,254
Loss on sale of assets	12,045	-	12,045
Total expenses and losses	<u>2,654,399</u>	<u>-</u>	<u>2,654,399</u>
CHANGE IN NET ASSETS	<u>559,507</u>	<u>(16,135)</u>	<u>543,372</u>
Net assets, beginning as previously reported	5,553,239	187,399	5,740,638
Prior period adjustment (Note 15)	-	-	-
Net assets, beginning, as restated	<u>5,553,239</u>	<u>187,399</u>	<u>5,740,638</u>
Net assets, ending, as restated	<u>\$ 6,112,746</u>	<u>\$ 171,264</u>	<u>\$ 6,284,010</u>
See Notes to Financial Statements.			

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ 971,380	\$ -	\$ 971,380
204,215	-	204,215
93,096	-	93,096
38,866	-	38,866
4,316	-	4,316
114,153	-	114,153
<u>742</u>	<u>-</u>	<u>742</u>
<u>1,426,768</u>	<u>-</u>	<u>1,426,768</u>
73,350	442,261	515,611
-	239,748	239,748
76,050	27,500	103,550
<u>231,829</u>	<u>-</u>	<u>231,829</u>
<u>381,229</u>	<u>709,509</u>	<u>1,090,738</u>
<u>660,474</u>	<u>(660,474)</u>	<u>-</u>
<u>2,468,471</u>	<u>49,035</u>	<u>2,517,506</u>
1,520,408	-	1,520,408
561,814	-	561,814
256,853	-	256,853
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,339,075</u>	<u>-</u>	<u>2,339,075</u>
<u>129,396</u>	<u>49,035</u>	<u>178,431</u>
5,142,146	138,364	5,280,510
<u>281,697</u>	<u>-</u>	<u>281,697</u>
<u>5,423,843</u>	<u>138,364</u>	<u>5,562,207</u>
<u>\$ 5,553,239</u>	<u>\$ 187,399</u>	<u>\$ 5,740,638</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

	2014			
	Program Services	Supporting Services		Total
Management and General		Fund Raising		
Personnel:				
Salaries	\$ 719,702	\$ 183,167	\$ 153,050	\$ 1,055,919
Employee benefits	54,827	12,958	19,358	87,143
Payroll taxes	69,582	16,041	18,927	104,550
Payroll services	116	3,994	-	4,110
Travel	2,708	9,401	119	12,228
Total personnel	<u>846,935</u>	<u>225,561</u>	<u>191,454</u>	<u>1,263,950</u>
Advertising	79,651	-	-	79,651
Auto expense	3,289	-	5	3,294
Amortization	-	6,489	-	6,489
Bad debt expense	-	-	-	-
Bank charges	18,539	5,426	141	24,106
Business meals and meetings	6,870	1,416	1,899	10,185
Communications	-	19,479	-	19,479
Computer costs	-	12,283	-	12,283
Depreciation	231,327	60,051	1,976	293,354
Dues and subscriptions	300	2,189	1,860	4,349
Educational and exhibit supplies	97,988	-	-	97,988
Equipment rental	9,940	16,150	-	26,090
Exhibit rental	117,096	-	-	117,096
Insurance	904	24,035	-	24,939
Interest expense	-	69,306	-	69,306
Miscellaneous	3,189	896	8,412	12,497
Occupancy	136,984	34,679	1,734	173,397
Office supplies	-	18,015	15,215	33,230
Postage	108	1,310	3,685	5,103
Printing	-	191	8,363	8,554
Professional services	116,396	33,893	8,275	158,564
Promotions	-	-	-	-
Purchases for resale, gift shop	101,737	-	-	101,737
Recruiting	346	1,353	-	1,699
Repairs and maintenance	-	-	-	-
Special events	58,779	-	36,235	95,014
	<u>983,443</u>	<u>307,161</u>	<u>87,800</u>	<u>\$ 1,378,404</u>
	<u>\$1,830,378</u>	<u>\$ 532,722</u>	<u>\$ 279,254</u>	<u>\$ 2,642,354</u>

See Notes to Financial Statements.

2013

Program Services	Supporting Services		Total
	Management and General	Fund Raising	
\$ 640,979	\$ 213,725	\$ 134,308	\$ 989,012
51,075	17,030	10,703	78,808
68,719	22,913	14,399	106,031
2,589	863	543	3,995
-	2,719	-	2,719
<u>763,362</u>	<u>257,250</u>	<u>159,953</u>	<u>1,180,565</u>
43,917	-	-	43,917
-	-	-	-
-	5,796	-	5,796
-	1,725	-	1,725
-	23,483	-	23,483
-	-	-	-
-	4,213	-	4,213
-	27,552	-	27,552
228,955	57,802	1,906	288,663
-	1,540	1,377	2,917
124,346	-	-	124,346
11,134	3,713	2,333	17,180
23,314	-	-	23,314
14,994	8,020	192	23,206
-	86,988	-	86,988
8,668	671	1,274	10,613
119,118	32,070	1,528	152,716
2,087	13,833	10,493	26,413
24	1,684	2,185	3,893
3,254	393	7,439	11,086
38,874	23,128	236	62,238
21,947	2,713	2,669	27,329
115,619	-	-	115,619
-	9,093	-	9,093
795	147	7	949
-	-	65,261	65,261
<u>757,046</u>	<u>304,564</u>	<u>96,900</u>	<u>1,158,510</u>
<u>\$1,520,408</u>	<u>\$ 561,814</u>	<u>\$ 256,853</u>	<u>\$2,339,075</u>

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 543,372	\$ 178,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	293,354	288,663
Amortization expense	6,489	5,796
Loss on sale of assets	12,045	-
Donated equipment and exhibits	(92,034)	(118,855)
(Increase) decrease in assets:		
Accounts receivable	(48,360)	(1,205)
Grants receivable	(505,898)	(23,613)
Unconditional promises to give	9,605	14,606
Inventory	17,424	(10,550)
Prepaid expenses	(12,070)	(67,829)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	31,177	(2,617)
Accrued compensation	2,219	4,615
Deferred revenue	21,148	26,771
Refundable advances	5,000	-
Net cash provided by operating activities	<u>283,471</u>	<u>294,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of investments	7,510	-
Increase in deferred costs	(9,698)	-
Purchase of investments	-	(7,510)
Purchase of property and equipment	<u>(490,105)</u>	<u>(53,512)</u>
Net cash used in investing activities	<u>(492,293)</u>	<u>(61,022)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term loan payable	240,000	-
Proceeds from related party loan payable	170,000	-
Principal payments on long-term debt	<u>(170,515)</u>	<u>(162,182)</u>
Net cash provided by (used in) financing activities	<u>239,485</u>	<u>(162,182)</u>
Net increase in cash and cash equivalents	30,663	71,009
CASH AND CASH EQUIVALENTS, beginning	<u>459,706</u>	<u>388,697</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 490,369</u>	<u>\$ 459,706</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ 86,385	\$ 89,502
Income taxes, net of refunds	<u>\$ -</u>	<u>\$ 209</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of materials, marketing, supplies and services	<u>\$ 121,283</u>	<u>\$ 231,829</u>
Contribution of equipment and exhibits	<u>\$ 92,034</u>	<u>\$ 118,855</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 & 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.

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 2014, 122,000 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 300,000 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.

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, 2014 and 2013 the Center has no permanently restricted net assets.

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

NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013, 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

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 2010, 2011, 2012 and 2013 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, 2014 and 2013 were \$79,651 and \$43,917 (of which \$17,774 and \$11,121 was in-kind), respectively.

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 2013 financial statement presentation to correspond to the current year's format. Change in net assets is unchanged due to these reclassifications.

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

NOTES TO FINANCIAL STATEMENTS

Date of management's review:

The Center has evaluated subsequent events through November 14, 2014, 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:

	2014	2013
Unrestricted contributions	\$ 72,202	\$ 47,236
Restricted to cost of facilities, exhibits, time or other programs	6,000	41,963
	78,202	89,199
Less discounts for pledges receivable	-	1,392
	<u>\$ 78,202</u>	<u>\$ 87,807</u>

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

	2014	2013
Less than one year	\$ 72,202	\$ 62,236
One to five years	6,000	26,963
	<u>\$ 78,202</u>	<u>\$ 89,199</u>

The receivables related to the facilities project are collateral for the note payable.

Conditional Promises to Give

During the year ended June 30 2014 , the Organization received conditional pledges totaling \$100,000 over the next three years that contained conditions related to participation in the grant program US2020 during those periods. Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Funds received from the donor in advance of the conditions being met totaled \$5,000 and are recorded as refundable advances as of June 30, 2014.

Note 3. Investments

Investments are stated at fair value. The Center had no investments other than cash reserves as of June 30, 2014. The Center held mutual funds in the amount \$7,510 as of June 30, 2013.

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

NOTES TO FINANCIAL STATEMENTS

Total investment return and its classification in the statements of activities is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 741	\$ 576
Investment gains and losses	(45)	166
	<u>\$ 696</u>	<u>\$ 742</u>

Note 4. Property and Equipment

Property and equipment as of June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Autos, equipment and exhibitry	\$ 1,405,785	\$ 1,772,939
Building and building improvements	7,998,431	7,635,301
Gift store	32,499	32,499
	<u>9,436,715</u>	<u>9,440,739</u>
Less accumulated depreciation	<u>2,840,370</u>	<u>2,623,337</u>
	<u>\$ 6,596,345</u>	<u>\$ 6,817,402</u>

Note 5. Deferred Costs

Deferred costs as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Loan refinancing fees	\$ 89,639	\$ 79,941
Accumulated amortization	(42,959)	(36,470)
	<u>\$ 46,680</u>	<u>\$ 43,471</u>

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

<u>Year Ended June 30,</u>	
2015	\$ 7,182
2016	7,182
2017	7,182
2018	7,182
2019	7,182

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Line of Credit, Related Party Loan Payable and Short Term Loan Payable

The Center has a \$200,000 bank line of credit for operations. The line is secured by all of the assets of the Center. Interest on the line of credit was payable monthly at the bank's prime plus .25% floating. The minimum interest rate on the line of credit was 4.25%. There were no outstanding balances as of June 30, 2014 and 2013.

The Center received bridge funding of \$170,000 from a related party in July 2013. The loan is non interest bearing and is due when funds are received from the Redevelopment Assistance Capital Program note payable. As of June 30, 2014 and 2013 the amount due on the note is \$170,000 and \$0, respectively. This loan was paid off August 5, 2014.

The Center also has a non-revolving construction line of credit available to Center in the maximum amount of 100% of total construction costs as reimbursable by the Pennsylvania Redevelopment Assistance Capital Program funding or \$327,000 whichever is less. Interest on the line of credit is payable monthly at the bank's prime rate plus .5%. The minimum interest rate on the line of credit is 4.00% and the line expires on February 14, 2015. As of June 30, 2014 and 2013 the amount due under the line is \$240,000 and \$0, respectively. This construction line of credit was paid off August 6, 2014.

Note 7. Long-Term Debt

	2014	2013
Note payable to local bank		
Annual installments of \$233,417 through December 28, 2018. Thereafter, commencing December 28, 2019 and on December 28, 2020 the Center shall make 2 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 is secured by all present and future pledge commitments and all other assets of the Center with the exception of the building.	\$ 1,422,499	\$ 1,588,576
 Note payable to local bank		
Annual installments of \$4,438 on August 15th of each year through August 15, 2014. 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.	8,876	13,314

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	<u>2014</u>	<u>2013</u>
	1,431,375	1,601,890
Less current maturities	<u>186,659</u>	<u>171,541</u>
	<u>\$ 1,244,716</u>	<u>\$ 1,430,349</u>

Scheduled maturities of long-term debt are as follows:

Year ending <u>June 30,</u>	
2015	\$ 186,659
2016	193,339
2017	195,578
2018	202,700
2019	209,976
Thereafter	<u>443,123</u>
	<u>\$ 1,431,375</u>

Note 8. Commitments

The Center leases various equipment under non-cancellable operating leases. Rent expense under these leases was \$71,401 and \$50,481 for the years ended June 30, 2014 and 2013 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>	
2015	\$ 165,544
2016	26,018
2017	16,567
2018	10,137
2019	<u>1,622</u>
	<u>\$ 219,888</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

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NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013, 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.

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 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 \$213,316 and \$231,829 were charged to educational programs and services during the years ended June 30, 2014 and 2013, 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, 2014 and 2013, 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 28% and 31% of total unconditional promises to give as of June 30, 2014 and 2013, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 14. Fair Value Measurements

FASB ASC 820-10-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

There are no assets measured at fair value on a recurring basis as of June 30, 2014. The fair values of assets measured on a recurring basis as of June 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>June 30, 2013</u>		
Investments, unrestricted	<u>\$ 7,510</u>	<u>\$ 7,510</u>

Note 15. Prior Period Adjustment

The Center restated its financial statements as of July 1, 2012 to reflect additional donated property and equipment and unrestricted net assets that were not previously recorded. The effect of the adjustment was to increase unrestricted net assets by \$281,697 and to increase property and equipment by \$281,697. The effect of the restatement on previously reported statement of financial position and statement of activities line items as of June 30, 2013 is as follows:

	<u>As Previously Reported</u>	<u>Restated</u>
<u>Statement of activities:</u>		
Unrestricted net assets	\$ 5,142,146	\$ 5,423,843
<u>Statement of financial position:</u>		
Property and equipment, net	6,535,705	6,817,402

The adjustment changed the previously reported net loss of \$180,745 for the year ended June 30, 2012 to net income of \$100,952.