

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

FINANCIAL REPORT

June 30, 2017

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& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

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

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June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 13, 2017

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**STATEMENTS OF FINANCIAL POSITION**

June 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 683,772	\$ 429,997
Certificates of deposit	100,155	750,624
Accounts receivable	56,016	29,016
Grants receivable	356,086	188,928
Unconditional promises to give	402,998	147,229
Inventory	16,525	18,704
Prepaid expenses	72,865	153,867
Total current assets	<u>1,688,417</u>	<u>1,718,365</u>
NONCURRENT ASSETS		
Unconditional promises to give	-	34,000
Property and equipment, net	6,236,366	6,116,285
Total noncurrent assets	<u>6,236,366</u>	<u>6,150,285</u>
Total assets	<u>\$ 7,924,783</u>	<u>\$ 7,868,650</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 58,833	\$ 52,008
Accounts payable and other liabilities	56,441	33,859
Accrued expenses	97,117	100,255
Deferred revenue	268,715	263,237
Total current liabilities	<u>481,106</u>	<u>449,359</u>
 NONCURRENT LIABILITIES		
Long-term debt, less current maturities and unamortized debt issuance costs	738,461	942,781
Total liabilities	<u>1,219,567</u>	<u>1,392,140</u>
 NET ASSETS		
Unrestricted		
Available for operations	(525,372)	(498,176)
Board designated	50,000	50,000
Investment in property and equipment	6,236,366	6,116,285
Total unrestricted	5,760,994	5,668,109
Temporarily restricted	944,222	808,401
Total net assets	<u>6,705,216</u>	<u>6,476,510</u>
Total liabilities and net assets	<u>\$ 7,924,783</u>	<u>\$ 7,868,650</u>

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT			
REVENUES			
Admissions, workshops, and programs	\$ 942,546	\$ -	\$ 942,546
Gift shop	168,599	-	168,599
Membership	252,358	-	252,358
Guest experience	52,941	-	52,941
Other	10,142	-	10,142
Other sales	-	-	-
Gain on sale of assets	-	-	-
Special event revenue of \$236,796, net of direct expenses of \$197,268	39,528	-	39,528
Investment return	1,898	-	1,898
Total revenues	<u>1,468,012</u>	<u>-</u>	<u>1,468,012</u>
SUPPORT			
Contributions	254,615	647,558	902,173
Grants, government	161,029	290,758	451,787
Grants, private	40,500	214,414	254,914
Donated materials and services	109,461	-	109,461
Total support	<u>565,605</u>	<u>1,152,730</u>	<u>1,718,335</u>
Net assets released from restrictions	<u>1,016,909</u>	<u>(1,016,909)</u>	<u>-</u>
Total revenue and support	<u>3,050,526</u>	<u>135,821</u>	<u>3,186,347</u>
EXPENSES			
Program services	2,041,778	-	2,041,778
Supporting services:			
Management and general	400,055	-	400,055
Expansion activities	325,977	-	325,977
Fund raising	189,831	-	189,831
Total expenses	<u>2,957,641</u>	<u>-</u>	<u>2,957,641</u>
CHANGE IN NET ASSETS	92,885	135,821	228,706
Net assets, beginning	<u>5,668,109</u>	<u>808,401</u>	<u>6,476,510</u>
Net assets, ending	<u>\$ 5,760,994</u>	<u>\$ 944,222</u>	<u>\$ 6,705,216</u>

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES AND SUPPORT			
REVENUES			
Admissions, workshops, and programs	\$ 914,907	\$ -	\$ 914,907
Gift shop	192,213	-	192,213
Membership	195,719	-	195,719
Guest experience	57,222	-	57,222
Other	8,211	-	8,211
Other sales	348,430	-	348,430
Gain on sale of assets	2,000	-	2,000
Special event revenue of \$171,941, net of direct expenses of \$125,288	46,653	-	46,653
Investment return	(306)	-	(306)
Total revenues	<u>1,765,049</u>	<u>-</u>	<u>1,765,049</u>
SUPPORT			
Contributions	342,034	444,274	786,308
Grants, government	170,937	25,000	195,937
Grants, private	101,324	224,000	325,324
Donated materials and services	211,496	-	211,496
Total support	<u>825,791</u>	<u>693,274</u>	<u>1,519,065</u>
Net assets released from restrictions	<u>386,043</u>	<u>(386,043)</u>	<u>-</u>
Total revenue and support	<u>2,976,883</u>	<u>307,231</u>	<u>3,284,114</u>
EXPENSES			
Program services	2,270,808	-	2,270,808
Supporting services:			-
Management and general	442,589	-	442,589
Expansion activities	227,607	-	227,607
Fund raising	186,044	-	186,044
Total expenses	<u>3,127,048</u>	<u>-</u>	<u>3,127,048</u>
CHANGE IN NET ASSETS	(150,165)	307,231	157,066
Net assets, beginning	<u>5,818,274</u>	<u>501,170</u>	<u>6,319,444</u>
Net assets, ending	<u>\$ 5,668,109</u>	<u>\$ 808,401</u>	<u>\$ 6,476,510</u>

See Notes to Financial Statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	2017				
	Supporting Services				
	Program Services	Management and General	Expansion Activities	Fund Raising	Total
Personnel:					
Salaries	\$ 802,776	\$ 185,029	\$ 167,582	\$ 143,233	\$ 1,298,620
Employee benefits	99,451	7,630	15,266	15,871	138,218
Payroll taxes	74,113	16,702	12,350	12,007	115,172
Payroll services	-	6,463	-	-	6,463
Travel	10,195	14,163	5,371	795	30,524
Total personnel	<u>986,535</u>	<u>229,987</u>	<u>200,569</u>	<u>171,906</u>	<u>1,588,997</u>
Advertising	82,511	-	-	100	82,611
Auto expense	7,257	507	108	-	7,872
Bank charges	40,884	1,029	-	219	42,132
Communications	2,199	7,356	552	-	10,107
Computer costs	37	560	-	3,511	4,108
Cost of goods sold, gift shop	75,676	-	-	-	75,676
Cost of goods sold, other	-	-	-	-	-
Depreciation	240,124	48,995	-	2,000	291,119
Dues and subscriptions	350	1,803	-	885	3,038
Educational and exhibit supplies	92,266	-	-	-	92,266
Equipment rental	2,000	13,624	-	-	15,624
Exhibit rental	154,999	-	-	-	154,999
Insurance	25,494	3,958	-	-	29,452
Interest expense	28,414	7,193	-	360	35,967
Miscellaneous	3,402	2,561	-	1,040	7,003
Occupancy	157,219	39,802	-	1,990	199,011
Office supplies	-	7,904	116	116	8,136
Postage	7,226	1,788	237	642	9,893
Printing	16,658	1,061	547	5,953	24,219
Professional services	96,295	26,214	123,547	-	246,056
Program refreshments	14,933	1,955	301	1,109	18,298
Recruiting	15	3,758	-	-	3,773
Repairs and maintenance	7,284	-	-	-	7,284
	<u>1,055,243</u>	<u>170,068</u>	<u>125,408</u>	<u>17,925</u>	<u>1,368,644</u>
	<u>\$2,041,778</u>	<u>\$ 400,055</u>	<u>\$ 325,977</u>	<u>\$ 189,831</u>	<u>\$ 2,957,641</u>

See Notes to Financial Statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	2016				
	Supporting Services				
	Program Services	Management and General	Expansion Activities	Fund Raising	Total
Personnel:					
Salaries	\$ 716,101	\$ 204,818	\$ 117,039	\$ 138,922	\$ 1,176,880
Employee benefits	73,397	19,778	11,411	13,531	118,117
Payroll taxes	66,698	15,044	8,577	10,934	101,253
Payroll services	-	4,360	-	-	4,360
Travel	8,650	2,387	936	1,114	13,087
Total personnel	<u>864,846</u>	<u>246,387</u>	<u>137,963</u>	<u>164,501</u>	<u>1,413,697</u>
Advertising	179,156	-	-	1,615	180,771
Auto expense	8,631	766	1,583	32	11,012
Bank charges	31,233	798	-	-	32,031
Communications	1,091	14,602	-	-	15,693
Computer costs	6,193	2,913	-	3,312	12,418
Cost of goods sold, gift shop	84,517	-	-	-	84,517
Cost of goods sold, other	176,541	-	-	-	176,541
Depreciation	229,188	41,504	-	1,999	272,691
Dues and subscriptions	912	2,089	-	295	3,296
Educational and exhibit supplies	104,943	-	370	-	105,313
Equipment rental	3,444	16,719	-	-	20,163
Exhibit rental	237,321	-	-	-	237,321
Insurance	29,144	3,921	-	-	33,065
Interest expense	33,653	8,520	-	426	42,599
Miscellaneous	6,076	686	63	1,176	8,001
Occupancy	145,593	36,859	-	1,843	184,295
Office supplies	-	8,627	-	1,172	9,799
Postage	5,296	1,014	-	489	6,799
Printing	18,650	368	220	7,098	26,336
Professional services	81,362	53,110	86,583	165	221,220
Program refreshments	13,456	1,413	825	1,621	17,315
Recruiting	-	2,293	-	300	2,593
Repairs and maintenance	9,562	-	-	-	9,562
	<u>1,405,962</u>	<u>196,202</u>	<u>89,644</u>	<u>21,543</u>	<u>1,713,351</u>
	<u>\$2,270,808</u>	<u>\$ 442,589</u>	<u>\$ 227,607</u>	<u>\$ 186,044</u>	<u>\$ 3,127,048</u>

See Notes to Financial Statements.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**STATEMENTS OF CASH FLOWS****Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 228,706	\$ 157,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	291,119	272,691
Amortization of debt issuance costs	6,540	6,386
Loss (gain) on disposal of assets	-	(2,000)
(Increase) decrease in assets:		
Accounts receivable	(27,000)	20,510
Grants receivable	(167,158)	(1,428)
Unconditional promises to give	(221,769)	(112,064)
Inventory	2,179	355
Prepaid expenses	81,002	65,349
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	22,582	(106,556)
Accrued compensation	(3,138)	38,140
Deferred revenue	5,479	(135,369)
Refundable advances	-	(3,655)
	<u>218,542</u>	<u>199,425</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(300,982)	(1,751,060)
Maturities of certificates of deposits	951,451	1,750,436
Purchase of property and equipment	(411,201)	(66,354)
	<u>239,268</u>	<u>(66,978)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(204,035)	(201,965)
	<u>(204,035)</u>	<u>(201,965)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	253,775	(69,518)
CASH AND CASH EQUIVALENTS, beginning	<u>429,997</u>	<u>499,515</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 683,772</u>	<u>\$ 429,997</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 36,504</u>	<u>\$ 43,118</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of materials, marketing, supplies and services	<u>\$ 109,461</u>	<u>\$ 211,496</u>

See 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 2017 National Assessment of Educational Progress, 24% of 4th graders, 32% of 8th graders, and 40% of high school seniors did not meet the basic standards of science knowledge. Only 20% of 12th graders scored at the "proficient" level and 2% achieved the highest level of "advanced". Male and female students scored at similar levels at grade 4 but females lagged behind males at grades 8 and 12. In 2015-16, 75% of grade 4 students in Pennsylvania and 53% of grade 8 students were proficient in science as measured by the Pennsylvania System of School Assessment (PSSA) tests. In the Da Vinci Science Center's service region, results from PSSA test scores were mixed with proficiency scores as low as 18% in urban schools. 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 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; with a priority on serving underrepresented youth in urban communities;
- professional development programs that train teachers in inquiry; and
- workforce initiatives that connect students with practicing STEM professionals;

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 from small-

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scale after school programs to large-scale programs like the Lehigh Valley Festival of Art, Science and Technology. A summer program combining science, literacy, and positive youth development was expanded in summer 2017 to prevent summer learning loss and motivate interest in STEM and STEM careers. 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. The Center's Women in Science and Engineering Initiative connects practicing female STEM professionals with one another and aspiring future scientists to help build and sustain a female STEM workforce. Also, through collaboration with community organizations such as the Allentown Library, The Baum School of Art, the Civic Theatre of Allentown, Communities In Schools, the Girl Scouts of Eastern PA, 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.
- Community Services for Children's 2016 Inez and Edward Donley Award for Children's Advocacy in recognition of public service that improves quality of life significantly for children.
- 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 FY2017, over 147,000 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 417,000 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.

Future Plans: In November 2016, the Da Vinci Science Center entered into a one-year Memorandum of Understanding agreement with the City of Easton, PA to explore the feasibility of building a 21st century science center in the city's waterfront area. The City pledged to provide 25 percent of the project cost up to \$30 million including the cost to purchase property for the new complex. The proposed \$130 million project will be a

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major driver of economic activity for Easton and the entire Lehigh Valley region. The 170,000-square-foot venue – tentatively called Da Vinci Science City, will complement the Da Vinci Science Center’s facility in Allentown, PA. The complex will feature a state-of-the-art science center with permanent and blockbuster traveling exhibits, a Creativity Studio public workshop space, and an immersive giant screen theater. Distinctive hands-on experiences will promote curiosity, creativity, innovation, and the integration of art and design with traditional STEM concepts. The Allentown site will be re-focused as a Children’s Discovery Center, serving younger children. Da Vinci Science City is projected to attract 600,000 or more visitors annually; create 200 permanent full time equivalent jobs, and produce \$45 million in direct economic activity and \$100 million total economic activity annually.

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, 2017 and 2016, 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

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charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2017 and 2016, 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.

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.

Debt issuance costs:

Debt issuance costs are reported as a reduction of the carrying amount of long-term debt and are amortized to interest expense over the life of the related debt.

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

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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 2013, 2014, 2015 and 2016 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, 2017 and 2016 were \$82,667 and \$180,771 (of which \$5,000 and \$101,350 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.

Functional expense allocations:

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis in statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

The Center's percentage of program service expense to total expense was 68% and 71% for the years ended June 30, 2017 and 2016, respectively. The decrease in the percentage between 2017 and 2016 was primarily due to the increase in expansion activities expense as shown in the statement of functional expenses.

Reclassifications:

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format.

Date of management's review:

The Center has evaluated subsequent events through November 13, 2017, the date which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note 2. Promises to Give

Unconditional Promises to Give

Contributions arising from unconditional promises to give for the years ended June 30, 2017 and 2016 were \$402,998 and \$181,229, respectively.

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

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 402,998	\$ 147,229
One to five years	<u>-</u>	<u>34,000</u>
	<u>\$ 402,998</u>	<u>\$ 181,229</u>

Note 3. Property and Equipment

Property and equipment as of June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Autos, equipment and exhibitry	\$ 1,472,022	1,093,880
Building and building improvements	7,998,431	7,998,431
Construction in progress	40,915	63,382
Gift store	<u>32,499</u>	<u>32,499</u>
	9,543,867	9,188,192
Less accumulated depreciation	<u>3,307,501</u>	<u>3,071,907</u>
	<u>\$ 6,236,366</u>	<u>\$ 6,116,285</u>

Note 4. Line of Credit

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. There were no outstanding balances as of June 30, 2017 and 2016. The line of credit expires on February 28, 2018. The line of credit is subject to several financial covenants. As of June 30, 2017, the Center is in compliance with the financial covenants.

Note 5. Long-Term Debt

Long-term debt as of June 30, 2017 and 2016 consists of the following:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
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	\$ 826,943	\$ 1,030,979
Less unamortized debt issuance costs	<u>29,649</u>	<u>36,190</u>
	797,294	994,789
Less current maturities	<u>58,833</u>	<u>52,008</u>
	<u>\$ 738,461</u>	<u>\$ 942,781</u>

The note payable is subject to several financial covenants. As of June 30, 2017 and 2016, the Center is in compliance with the financial covenants.

Scheduled maturities of long-term debt are as follows:

Year ending <u>June 30,</u>	
2018	\$ 58,833
2019	60,714
2020	62,654
2021	64,656
2022	<u>580,086</u>
	<u>\$ 826,943</u>

The Center made principal payments on the building loan in excess of the amount required by the loan agreement totaling \$149,962 in both the years ending June 30, 2017 and 2016.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Expansion project	\$ 464,915	\$ 90,000
Capital/exhibits	141,681	429,044
Science inquiry fund	61,672	32,496
Outreach	97,125	73,025
STEM summer learning	61,675	79,980
Other	<u>117,154</u>	<u>103,856</u>
	<u>\$ 944,222</u>	<u>\$ 808,401</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note 7. Leasing and Other Commitments

The Center leases various equipment under non-cancellable operating leases. Rent expense under these leases was \$13,039 and \$14,381 for the years ended June 30, 2017 and 2016 respectively.

In addition to the equipment leases, the Center has entered into several long-term contracts for maintenance on exhibits, security and building equipment and consulting services. Future minimum payments under these non-cancellable arrangements are as follows:

Year ending <u>June 30,</u>	
2018	\$ 72,191
2019	28,326
2020	19,873
2021	19,688
2022	22,236
	<u>\$ 162,314</u>

Note 8. 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 \$58,000 of contribution income for both the years ended June 30, 2017 and 2016 related to this lease.

Note 9. Concentrations

Cash and Certificate of Deposit 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. As of June 30, 2017, the Center had cash and certificate balances of \$421,409 in excess of FDIC insurance limits.

Note 10. 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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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. All donated materials and contributed services (from special events as well as those for educational programs and services) totaled \$109,461 and \$211,496 during the years ended June 30, 2017 and 2016, respectively.

Note 11. 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, 2017 and 2016, as the Center made no matching contributions to the plan.

Note 12. Related Party Transactions

Board members have pledges due to the Center that represented approximately 23% and 22% of total unconditional promises to give as of June 30, 2017 and 2016, respectively.