

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

FINANCIAL REPORT

June 30, 2016

**BUCKNO
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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, 2016 and 2015, 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, 2016 and 2015, 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, 2016

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 52,008	\$ 49,948
Accounts payable and other liabilities	33,859	140,415
Accrued expenses	100,255	62,115
Deferred revenue	263,237	398,606
Refundable advances	-	3,655
Total current liabilities	449,359	654,739
NONCURRENT LIABILITIES		
Long-term debt, less current maturities and unamortized debt issuance costs	942,781	1,140,420
Total noncurrent liabilities	942,781	1,140,420
Total liabilities	1,392,140	1,795,159
NET ASSETS		
Unrestricted		
Available for operations	(498,176)	(552,348)
Board designated	50,000	50,000
Investment in property and equipment	6,116,285	6,320,622
Total unrestricted	5,668,109	5,818,274
Temporarily restricted	808,401	501,170
Total net assets	6,476,510	6,319,444
Total liabilities and net assets	\$ 7,868,650	\$ 8,114,603

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

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	<u>2016</u>		
	<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	56,658	-	56,658
Other	8,775	-	8,775
Other sales	348,430	-	348,430
Gain on sale of assets	2,000	-	2,000
Special events	171,941	-	171,941
Investment return	<u>(306)</u>	<u>-</u>	<u>(306)</u>
Total revenues	<u>1,890,337</u>	<u>-</u>	<u>1,890,337</u>
SUPPORT			
Contributions	356,534	444,274	800,808
Grants, government	170,937	25,000	195,937
Grants, private	86,824	224,000	310,824
Donated materials and services	<u>211,496</u>	<u>-</u>	<u>211,496</u>
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>3,102,171</u>	<u>307,231</u>	<u>3,409,402</u>
EXPENSES AND LOSSES			
Program services	2,529,544	-	2,529,544
Supporting services:			
Management and general	442,589	-	442,589
Fund raising	280,203	-	280,203
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	<u>3,252,336</u>	<u>-</u>	<u>3,252,336</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.

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ 904,769	\$ -	\$ 904,769
186,764	-	186,764
141,672	-	141,672
47,281	-	47,281
1,417	-	1,417
-	-	-
-	-	-
131,305	-	131,305
144	17	161
1,413,352	17	1,413,369
361,910	341,022	702,932
-	261,527	261,527
-	404,014	404,014
211,032	-	211,032
572,942	1,006,563	1,579,505
676,674	(676,674)	-
2,662,968	329,906	2,992,874
2,182,979	-	2,182,979
441,576	-	441,576
250,461	-	250,461
53,224	-	53,224
2,928,240	-	2,928,240
(265,272)	329,906	64,634
6,083,546	171,264	6,254,810
\$ 5,818,274	\$ 501,170	\$ 6,319,444

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

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2016 and 2015

	2016			
	Supporting Services			
	Program Services	Management and General	Fund Raising	Total
Personnel:				
Salaries	\$ 833,140	\$ 204,818	\$ 138,922	\$ 1,176,880
Employee benefits	84,808	19,778	13,531	118,117
Payroll taxes	75,275	15,044	10,934	101,253
Payroll services	-	4,360	-	4,360
Travel	9,586	2,387	1,114	13,087
Total personnel	<u>1,002,809</u>	<u>246,387</u>	<u>164,501</u>	<u>1,413,697</u>
Advertising	180,771	-	-	180,771
Auto expense	10,214	766	32	11,012
Bad debt expense	-	-	-	-
Bank charges	31,415	798	-	32,213
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	105,313	-	-	105,313
Equipment rental	3,444	16,719	-	20,163
Exhibit rental	240,265	-	-	240,265
Insurance	29,144	3,921	-	33,065
Interest expense	33,653	8,520	426	42,599
Miscellaneous	3,013	686	1,176	4,875
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	18,870	368	7,098	26,336
Professional services	167,945	53,110	165	221,220
Program refreshments	14,281	1,413	1,621	17,315
Recruiting	-	2,293	300	2,593
Repairs and maintenance	9,562	-	-	9,562
Special events	29,514	-	95,774	125,288
	<u>1,526,735</u>	<u>196,202</u>	<u>115,702</u>	<u>1,838,639</u>
	<u>\$2,529,544</u>	<u>\$ 442,589</u>	<u>\$ 280,203</u>	<u>\$ 3,252,336</u>

See Notes to Financial Statements.

2015

Supporting Services			
Program Services	Management and General	Fund Raising	Total
\$ 806,238	\$ 181,136	\$ 127,929	\$1,115,303
86,653	7,464	6,648	100,765
77,609	13,818	10,485	101,912
-	3,979	-	3,979
9,872	1,473	345	11,690
<u>980,372</u>	<u>207,870</u>	<u>145,407</u>	<u>1,333,649</u>
147,899	-	-	147,899
8,102	-	-	8,102
-	970	-	970
19,713	3,983	353	24,049
1,395	17,438	-	18,833
-	10,265	3,281	13,546
88,363	-	-	88,363
-	-	-	-
235,044	55,937	1,999	292,980
1,195	1,579	75	2,849
95,316	-	-	95,316
1,712	16,282	-	17,994
194,725	-	-	194,725
23,281	5,366	-	28,647
76,244	19,302	965	96,511
1,825	3,530	327	5,682
135,187	34,225	1,711	171,123
-	8,462	739	9,201
2,902	1,347	867	5,116
6,569	-	1,480	8,049
121,856	53,480	319	175,655
10,889	748	1,351	12,988
407	792	-	1,199
5,101	-	-	5,101
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>

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 157,066	\$ 64,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	272,691	292,980
Amortization of debt issuance costs	6,386	48,809
Loss (gain) on disposal of assets	(2,000)	53,224
(Increase) decrease in assets:		
Accounts receivable	20,510	405,181
Grants receivable	(1,428)	433,724
Unconditional promises to give	(112,064)	9,037
Inventory	355	313
Prepaid expenses	65,349	(116,009)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(106,556)	(3,453)
Accrued compensation	38,140	15,633
Deferred revenue	(135,369)	212,514
Refundable advances	<u>(3,655)</u>	<u>(1,345)</u>
Net cash provided by operating activities	<u>199,425</u>	<u>1,415,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(1,751,060)	(750,000)
Maturities of investments	1,750,436	-
Purchase of property and equipment	<u>(66,354)</u>	<u>(2,960)</u>
Net cash used in investing activities	<u>(66,978)</u>	<u>(752,960)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deferred debt issuance costs	-	(44,705)
Proceeds (payments) on short term loan payable	-	(240,000)
Proceeds (payments) on related party loan payable	-	(170,000)
Principal payments on long-term debt	<u>(201,965)</u>	<u>(198,431)</u>
Net cash used in financing activities	<u>(201,965)</u>	<u>(653,136)</u>
Net increase in cash and cash equivalents	(69,518)	9,146
CASH AND CASH EQUIVALENTS, beginning	<u>499,515</u>	<u>490,369</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 429,997</u>	<u>\$ 499,515</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 43,118</u>	<u>\$ 71,109</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of materials, marketing, supplies and services	<u>\$ 211,496</u>	<u>\$ 211,032</u>
Note payable refinancing	<u>\$ -</u>	<u>\$ 1,240,000</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 2015 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 score at similar levels at grade 4 but females lag behind males at grades 8 and 12. In 2015-16, 76% of grade 4 students in Pennsylvania and 58% 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 17% 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;
- professional development programs that train teachers in inquiry;
- workforce initiatives that connect students with practicing STEM professionals
- An urban mentoring partnership that brings mentorship to girls and low-income youth,

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

NOTES TO FINANCIAL STATEMENTS

the most underrepresented populations in the STEM workforce.

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-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 piloted in summer 2016 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 National Science Teachers Association's (NSTA) 2014 national Distinguished Informal Science Educator Award for David Smith, Ph.D., the Center's Senior Director of Science and Strategic Initiatives.
- 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 FY2016, 142,000 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 360,000 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.

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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, 2016 and 2015, 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, 2016 and 2015, management has determined that no allowance is required.

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

NOTES TO FINANCIAL STATEMENTS

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 activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

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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 2012, 2013, 2014 and 2015 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, 2016 and 2015 were \$180,771 and \$147,899 (of which \$101,350 and \$85,152 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 2015 financial statement presentation to correspond to the current year's format.

Date of management's review:

The Center has evaluated subsequent events through November 14, 2016, 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:

	2016	2015
Unrestricted contributions	\$ 38,965	\$ 31,999
Restricted to cost of facilities, exhibits, time or other programs	142,264	37,166
	<u>\$ 181,229</u>	<u>\$ 69,165</u>

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NOTES TO FINANCIAL STATEMENTS

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

	2016	2015
Less than one year	\$ 147,229	\$ 69,165
One to five years	34,000	-
	<u>\$ 181,229</u>	<u>\$ 69,165</u>

Note 3. Property and Equipment

Property and equipment as of June 30, 2016 and 2015 is as follows:

	2016	2015
Autos, equipment and exhibitry	\$ 1,093,880	1,339,725
Building and building improvements	7,998,431	7,998,431
Construction in progress	63,382	-
Gift store	32,499	32,499
	<u>9,188,192</u>	<u>9,370,655</u>
Less accumulated depreciation	<u>3,071,907</u>	<u>3,050,033</u>
	<u>\$ 6,116,285</u>	<u>\$ 6,320,622</u>

Note 4. 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. There were no outstanding balances as of June 30, 2016 and 2015. The line of credit expires on February 28, 2017. The line of credit is subject to several financial covenants. As of June 30, 2016, the Center is in compliance with the financial covenants

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 August 5, 2014.

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

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NOTES TO FINANCIAL STATEMENTS

on the line of credit was 4.00%. The construction line of credit was paid off on August 6, 2014.

Note 5. Long-Term Debt

Long-term debt as of June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</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.	\$ 1,030,979	\$ 1,228,506
 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 was paid on August 15, 2015. The note is secured by a vehicle.	-	4,438
	<u>1,030,979</u>	<u>1,232,944</u>
Less unamortized debt issuance costs	<u>36,190</u>	<u>42,576</u>
Long-term debt, less unamortized debt issuance costs	994,789	1,190,368
Less current maturities	<u>52,008</u>	<u>49,948</u>
	<u>\$ 942,781</u>	<u>\$ 1,140,420</u>

The long-term debt is subject to several financial covenants. As of June 30, 2016 and 2015, the Center is in compliance with the financial covenants.

Scheduled maturities of long-term debt are as follows:

Year ending	
<u>June 30,</u>	
2017	\$ 52,008
2018	53,671
2019	55,386
2020	57,156
2021	58,982
Thereafter	<u>753,776</u>
	<u>\$ 1,030,979</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Expansion project	\$ 90,000	\$ -
Future capital projects	170,111	195,111
Exhibits	255,933	80,000
Other programs and time restricted	<u>292,357</u>	<u>226,059</u>
	<u>\$ 808,401</u>	<u>\$ 501,170</u>

Note 7. Leasing and Other Commitments

The Center leases various equipment under non-cancellable operating leases. Rent expense under these leases was \$14,381 and \$14,439 for the years ended June 30, 2016 and 2015 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>	
2017	\$ 64,258
2018	28,730
2019	19,873
2020	18,513
2021	19,047
Thereafter	<u>22,877</u>
	<u>\$ 173,298</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.

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NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015 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, 2016, the Center had cash and certificate balances of \$135,202 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 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 \$211,496 and \$211,032 during the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 22% and 8% of total unconditional promises to give as of June 30, 2016 and 2015, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 13. Change of Accounting Principle

The Center has retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as reduction of the carrying amount of the debt rather than as an asset. The effect of the change in accounting principle was to decrease deferred costs by \$46,680 and to decrease long-term debt by \$46,680 as of July 1, 2014. The effect of the restatement on previously reported financial statement line items as of June 30, 2015 is as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
<u>Statement of financial position:</u>		
Deferred costs	\$ 42,576	\$ -
Long-term debt	1,182,996	1,140,420
<u>Statement of functional expenses:</u>		
Amortization	\$ 48,809	\$ -
Interest expense	47,702	96,511

The change in accounting principle had no effect on the change in net assets for either of the years ended June 30, 2016 and 2015.