

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

FINANCIAL REPORT

June 30, 2019



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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, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Da Vinci Discovery Center of Science and Technology, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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. and subsidiaries as of June 30, 2019 and 2018, 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
October 24, 2019

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Financial Position****June 30, 2019 and 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 709,762	\$ 530,954
Accounts receivable	56,446	57,442
Grants receivable	141,048	228,246
Unconditional promises to give	398,593	273,334
Inventory	20,652	13,240
Prepaid expenses	49,346	60,249
Other current assets	5,646	-
TOTAL CURRENT ASSETS	1,381,493	1,163,465
NONCURRENT ASSETS		
Unconditional promises to give	303,737	374,017
Property and equipment, net	5,799,821	6,105,498
TOTAL NONCURRENT ASSETS	6,103,558	6,479,515
TOTAL ASSETS	\$ 7,485,051	\$ 7,642,980
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 68,510	\$ 65,194
Accounts payable and other liabilities	42,439	53,826
Accrued expenses	161,841	94,421
Deferred revenue	295,633	309,952
TOTAL CURRENT LIABILITIES	568,423	523,393
LONG-TERM DEBT, less current maturities	438,938	539,525
TOTAL LIABILITIES	1,007,361	1,062,918
NET ASSETS		
Without donor restrictions	5,467,278	5,790,370
With donor restrictions	1,010,412	789,692
TOTAL NET ASSETS	6,477,690	6,580,062
TOTAL LIABILITIES AND NET ASSETS	\$ 7,485,051	\$ 7,642,980

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

**Consolidated Statement of Activities
Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Program:						
Exhibit admissions	\$ 602,868	\$ -	\$ 602,868	\$ 553,885	\$ -	\$ 553,885
Education programs	552,746	-	552,746	436,469	-	436,469
Guest experience	46,887	-	46,887	52,750	-	52,750
Gift shop sales	170,329	-	170,329	165,806	-	165,806
Membership	281,323	-	281,323	249,426	-	249,426
Other	11,903	-	11,903	22,220	-	22,220
Special events, net	62,425	69,860	132,285	41,088	56,547	97,635
Contributions	332,063	506,863	838,926	400,398	788,724	1,189,122
Grants, public	272,437	455,453	727,890	154,745	277,086	431,831
Grants, private	156,374	193,088	349,462	145,500	117,000	262,500
Investment income (losses)	(1,290)	-	(1,290)	266	-	266
Donated property, materials and services	101,928	-	101,928	101,261	-	101,261
Net assets released from restrictions	1,004,544	(1,004,544)	-	1,393,887	(1,393,887)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	3,594,537	220,720	3,815,257	3,717,701	(154,530)	3,563,171
EXPENSES						
Program services	2,509,689	-	2,509,689	2,151,119	-	2,151,119
Supporting services:						
Management and general	472,673	-	472,673	439,193	-	439,193
Fund raising	235,641	-	235,641	190,857	-	190,857
Expansion activities	699,626	-	699,626	872,024	-	872,024
TOTAL EXPENSES	3,917,629	-	3,917,629	3,653,193	-	3,653,193
CHANGE IN NET ASSETS	(323,092)	220,720	(102,372)	64,508	(154,530)	(90,022)
NET ASSETS, beginning, as previously reported	5,790,370	789,692	6,580,062	5,760,994	944,222	6,705,216
Prior period adjustment	-	-	-	(35,132)	-	(35,132)
NET ASSETS, as restated	5,790,370	789,692	6,580,062	5,725,862	944,222	6,670,084
NET ASSETS, ending	\$ 5,467,278	\$ 1,010,412	\$ 6,477,690	\$ 5,790,370	\$ 789,692	\$ 6,580,062

See Notes to Financial Statements.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Supporting Services			Total	Total Less Expansion Activities
		Management and General	Fund Raising	Expansion Activities		
Personnel:						
Salaries	\$ 1,032,840	\$ 182,686	\$ 165,197	\$ 131,528	\$ 1,512,251	\$ 1,380,723
Payroll taxes	99,882	6,272	14,113	10,831	131,098	120,267
Employee benefits	109,304	6,976	28,356	17,574	162,210	144,636
	<u>1,242,026</u>	<u>195,934</u>	<u>207,666</u>	<u>159,933</u>	<u>1,805,559</u>	<u>1,645,626</u>
Advertising	99,249	-	350	1	99,600	99,599
Auto expense	11,560	-	-	-	11,560	11,560
Bad debt expense	-	20,757	-	-	20,757	20,757
Bank charges	-	1,332	-	220	1,552	1,332
Business transaction fees	11,670	173	903	-	12,746	12,746
Credit card fees	37,483	-	-	-	37,483	37,483
Communications	-	3,253	-	229	3,482	3,253
Computer costs	366	1,597	3,945	-	5,908	5,908
Cost of goods sold, gift shop	- 84,546	-	-	-	84,546	84,546
Depreciation	322,008	53,693	2,016	-	377,717	377,717
Dues and subscriptions	715	2,290	-	-	3,005	3,005
Equipment rental	360	9,655	-	-	10,015	10,015
Exhibit rental	92,786	-	-	-	92,786	92,786
Hospitality	4,863	1,796	686	836	8,181	7,345
Insurance	5,132	31,259	-	-	36,391	36,391
Interest expense	20,113	3,917	255	1,174	25,459	24,285
Legal fees	-	8,939	-	98,671	107,610	8,939
Miscellaneous	678	3,640	925	800	6,043	5,243
Occupancy	159,053	40,267	2,013	-	201,333	201,333
Paypal expense	-	2,403	-	-	2,403	2,403
Payroll services	-	11,106	-	-	11,106	11,106
Phone	1,253	3,915	-	1,047	6,215	5,168
Postage	12,900	1,220	1,760	40	15,920	15,880
Printing	30,497	1,518	6,866	7,656	46,537	38,881
Professional services	217,272	28,487	79	427,582	673,420	245,838
Recruiting	-	1,358	-	-	1,358	1,358
Refreshments	26,490	-	249	-	26,739	26,739
Repairs and maintenance	10,563	-	-	-	10,563	10,563
Staff development & travel	3,599	8,899	2,577	1,003	16,078	15,075
Supplies	112,479	34,653	351	434	147,917	147,483
Vending	2,028	-	-	-	2,028	2,028
Volunteer expense	-	612	-	-	612	612
	<u>1,267,663</u>	<u>276,739</u>	<u>27,975</u>	<u>539,693</u>	<u>2,112,070</u>	<u>1,572,377</u>
	<u>\$ 2,509,689</u>	<u>472,673</u>	<u>235,641</u>	<u>699,626</u>	<u>3,917,629</u>	<u>\$ 3,218,003</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Supporting Services				Total	Total Less
	Program Services	Management and General	Fund Raising	Expansion Activities		Expansion Activities
Personnel:						
Salaries	\$ 871,170	\$ 201,181	\$ 138,425	\$ 228,105	\$ 1,438,881	\$ 1,210,776
Payroll taxes	77,973	15,194	9,396	17,212	119,775	102,563
Employee benefits	101,006	19,641	17,475	26,250	164,372	138,122
	<u>1,050,149</u>	<u>236,016</u>	<u>165,296</u>	<u>271,567</u>	<u>1,723,028</u>	<u>1,451,461</u>
Advertising	79,960	-	1,075	58	81,093	81,035
Auto expense	13,488	32	-	-	13,520	13,520
Bank charges	61	1,193	-	128	1,382	1,254
Business transaction fees	6,727	750	297	-	7,774	7,774
Credit card fees	35,199	-	-	-	35,199	35,199
Communications	33	3,866	-	242	4,141	3,899
Computer costs	-	955	3,722	-	4,677	4,677
Cost of goods sold,						
gift shop	81,283	-	-	-	81,283	81,283
Depreciation	288,888	52,593	2,000	-	343,481	343,481
Dues and subscriptions	675	1,935	485	-	3,095	3,095
Equipment rental	-	11,321	-	-	11,321	11,321
Exhibit rental	57,851	-	-	-	57,851	57,851
Hospitality	3,397	2,009	2,046	2,112	9,564	7,452
Insurance	18,280	10,226	-	-	28,506	28,506
Interest expense	23,237	5,883	294	-	29,414	29,414
Legal fees	-	7,320	-	24,154	31,474	7,320
Miscellaneous	(89)	1,948	-	550	2,409	1,859
Occupancy	162,548	41,151	2,058	-	205,757	205,757
Paypal expense	50	1,714	-	-	1,764	1,764
Payroll services	-	8,690	-	-	8,690	8,690
Phone	1,287	3,655	-	514	5,456	4,942
Postage	10,043	1,276	1,435	15	12,769	12,754
Printing	23,400	1,071	9,345	2,872	36,688	33,816
Professional services	138,434	24,948	50	562,341	725,773	163,432
Recruiting	45	3,078	597	-	3,720	3,720
Refreshments	16,824	45	83	-	16,952	16,952
Repairs and maintenance	10,384	-	-	-	10,384	10,384
Staff development & travel	4,338	7,743	1,061	7,055	20,197	13,142
Supplies	122,242	9,001	1,013	416	132,672	132,256
Vending expenses	2,385	-	-	-	2,385	2,385
Volunteer expense	-	774	-	-	774	774
	<u>1,100,970</u>	<u>203,177</u>	<u>25,561</u>	<u>600,457</u>	<u>1,930,165</u>	<u>1,329,708</u>
	<u>\$ 2,151,119</u>	<u>439,193</u>	<u>190,857</u>	<u>872,024</u>	<u>3,653,193</u>	<u>\$ 2,781,169</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows****Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (102,372)	\$ (90,022)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of investment securities	(98,856)	(45,418)
Depreciation expense	377,717	343,481
Amortization of debt issuance costs	6,463	6,463
(Gain) loss on sale of investment securities	(1,795)	59
(Increase) decrease in assets:		
Accounts receivable	996	(1,426)
Grants receivable	87,198	127,840
Unconditional promises to give	(54,979)	(244,353)
Inventory	(7,412)	3,285
Prepaid expenses	10,903	12,616
Other current assets	(5,646)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,387)	9,353
Accrued compensation	67,420	(2,696)
Deferred revenue	(14,319)	29,269
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>253,931</u>	<u>148,451</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(72,040)	(247,745)
Proceeds from sale of investment securities	100,651	45,359
Maturities of certificates of deposits	<u>-</u>	<u>100,155</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>28,611</u>	<u>(102,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(103,734)</u>	<u>(199,038)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(103,734)</u>	<u>(199,038)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178,808	(152,818)
CASH AND CASH EQUIVALENTS, beginning	530,954	683,772
CASH AND CASH EQUIVALENTS, ending	<u>\$ 709,762</u>	<u>\$ 530,954</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows****Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 19,517</u>	<u>\$ 23,472</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of property, materials and services	<u>\$ 101,928</u>	<u>\$ 101,261</u>

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

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

NOTE 1. NATURE OF ACTIVITIES

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 situated 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: The Lehigh Valley has a thriving STEM economy in need of a skilled workforce. By 2025, approximately 63 percent of Pennsylvania jobs will require some form of postsecondary education or training, and STEM jobs will account for 91%. Nearly all jobs will require a basic understanding of math and science. A key recommendation from a recent Lehigh Valley Talent Supply Council report, compiled primarily from surveys of local businesses, indicates the need for increased access to hands-on STEM learning and more employability skills training. This report indicates that high skill, high wage jobs are available, but employers struggle to fill open positions due to a lack of technical and/or employability training.

Schools need support preparing students for future high skill, high wage jobs. In 2018-19, 77.8% of grade 4 students in Pennsylvania and 58.2% of grade 8 students were proficient or above 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. In Allentown, 56.1% of 4th grade students scored proficient or above. This measure dropped to 27.1% proficient or above when students reach 8th grade.

There are many reasons why students disengage with STEM over time. According to a growing body of research known as science capital, in order to provide students the capital needed to participate and succeed in STEM post high school and beyond, we must help students understand what science is and how it works, be able to recognize its value in everyday life, know the transferrable nature of scientific ways of thinking to other career pathways, engage themselves and their families in science outside of school, increase positive family attitudes about science, and allow them to know people in science roles. Many groups such as minorities, women, and low-income populations will continue to remain underrepresented in STEM and will not see these careers as being "for them" unless we can address all these factors.

Response to Need: The Da Vinci Science Center is uniquely qualified to help students acquire science capital and develop skills to prepare for 21st century jobs. Through engaging programs and experiences during school and outside of school time, the Science Center stimulates 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, integrates STEM with the Arts (STEAM) to provide an environment for innovation to flourish, 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.

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

Notes to the Consolidated Financial Statements

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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, engineering design, STEM literacy, and the integration of arts and technology; and
- workforce initiatives that connect students with practicing STEM professionals, including the Women in Science and Engineering (WISE) Initiative which connects practicing female STEM professionals with one another and aspiring future scientists to help build and sustain a female STEM workforce

A wide variety of programs are offered at the Center including school workshops; summer camps; scout badge days and overnights; after school and weekend science clubs; and lectures, demonstrations, and hands-on activities for the general public. Programs offered in the community range from in-school and after-school classroom programs to larger-scale community science celebrations. The Center's six-week summer STEM literacy program, offered in conjunction with area school districts, combines science, literacy, and positive youth development to prevent summer learning loss and motivate interest in STEM and STEM careers. Professional development programs include a federally funded program in collaboration with the Carbon-Lehigh Intermediate Unit to help Art Teachers integrate design thinking and the use of digital design, coding, and fabrication tools into their curriculum. In late 2017, the Center was awarded a two-year national grant to expand its WISE Initiative to help build a STEM learning and support ecosystem for women and girls in the greater Lehigh Valley and surrounding communities in eastern Pennsylvania. 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:

- 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).
- The American Chemical Society Lehigh Section's Partners for Progress and Prosperity Award in recognition of the Da Vinci Science Center's successful and exemplary partnerships.

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

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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 FY2019, over 154,000 people participated in Da Vinci Science Center experiences. Over the last three years, regional workforce initiatives developed in partnership with industry leaders have exposed thousands of 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 STEAM disciplines. True STEAM 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: The Da Vinci Science Center continued work on expansion plans to broaden its impact on the community. In June 2019, the Da Vinci Science Center announced the termination of its collaboration with the City of Easton, PA to pursue building a 21st century science center in the city. In October 2019, the Da Vinci Science Center announced plans to build a major new science center in downtown Allentown.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Consolidation

The consolidated financial statements include the accounts of The Da Vinci Discovery Center of Science and Technology, Inc. (the Center) and its wholly-owned subsidiaries, Da Vinci Children's Discovery Center, LLC and Da Vinci Science City, LLC. All significant inter-organization balances and transactions were eliminated in consolidation.

To support its expansion efforts, The Da Vinci Discovery Center of Science and Technology, Inc. ("Parent") established the two subsidiaries in December 2017. Each subsidiary is a Pennsylvania non-profit limited liability company with the Parent being the sole member of each. The governance of each subsidiary is set forth in an operating agreement between the Parent and the subsidiary. The operating agreements provide that the day-to-day operation of each subsidiary is under the control of its member (the Parent). At the time of the audit, neither subsidiary had a governing board, committees, or officers.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United

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

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States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Center's financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions – not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the actions of the Board of Trustees.

Net assets with donor restrictions – some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of reporting the cash flows, the Center considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid investments purchased with a maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less allowance for doubtful accounts. The Center 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 Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2019 and 2018, management has determined that no allowance is required.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported

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

Notes to the Consolidated Financial Statements

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as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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. Amortization of the discount is reported in the statement of activities as contribution revenue.

Conditional promises to give are not included as revenue in the financial statements 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.

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Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

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 2015, 2016, 2017 and 2018 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, 2019 and 2018 were \$99,600 and \$81,093.

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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis.

Reclassifications

Certain information in the 2018 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2019 financial statements.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2019 and 2018****Date of Management's Review**

The Center has evaluated subsequent events through October 24, 2019, the date which the financial statements were available to be issued.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions" and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The ASU has been applied retrospectively to all periods presented.

NOTE 3. LIQUIDITY AND AVAILABILITY

The following reflects the Center's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual, donor-imposed restrictions or other restrictions, within one year of the balance sheet date:

Cash and cash equivalents	\$ 709,762
Accounts receivable	56,446
Grants receivable	141,048
Unconditional promises to give	398,593
Other current assets	<u>5,646</u>
Total financial assets at fiscal year end	1,311,495
Less those unavailable for general expenditures within one year, due to:	
Financial assets subject to donor restrictions for specified purpose	(641,956)
Financial assets held for specified purpose designated by Board	(50,000)
Financial assets held for future perpetual endowment	<u>(129,125)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 490,414</u>

The Center manages its liquidity following three spending principles: operating with a product range of financial soundness and stability, maintaining adequate liquid assets to meet near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To help manage unanticipated liquidity needs, the Center has a secured line of credit available which can provide borrowings up to \$500,000. See Note 6 for additional information.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2019 and 2018****NOTE 4. PROMISES TO GIVE**Unconditional Promises to Give

Unconditional promises to give consists of the following:

	2019	2018
Unconditional promises to give	\$ 769,468	\$ 695,584
Less: Unamortized discount	(67,138)	(48,233)
	<u>\$ 702,330</u>	<u>\$ 647,351</u>
Amounts due in:		
Less than one year	\$ 398,593	\$ 273,334
One to five years	231,500	297,250
More than five years	139,375	125,000
	<u>\$ 769,468</u>	<u>\$ 695,584</u>

Long-term pledges have been discounted between 3.75% to 4.10% annual rate.

Conditional Promises to Give

During the year ended June 30, 2018, the Center received a conditional promise of \$300,000. The promise is contingent upon the Center's commitment to continue the development of the Da Vinci Science City Expansion project at the time the payment is due.

During the year ended June 30, 2019, the Center received a conditional promise of \$400,000. The promise is contingent upon the Center's commitment to continue the development of the Da Vinci Science City Expansion project at the time the payment is due.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018 is as follows:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2019 and 2018**

	2019	2018
Building and building improvements	\$ 7,998,431	\$ 7,998,431
Equipment, furniture and fixtures	325,973	310,958
Exhibits	1,404,220	1,379,586
Auto/trucks	39,936	39,936
Gift store	32,499	32,499
Construction in progress	36,405	6,145
	9,837,464	9,767,555
Less accumulated depreciation	(4,037,643)	(3,662,057)
	<u>\$ 5,799,821</u>	<u>\$ 6,105,498</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$377,717 and \$343,481, respectively.

NOTE 6. LINE OF CREDIT

On April 3, 2018, the Center renewed a \$500,000 line of credit for operations. The line is secured by substantially all of the assets of the Center. Variable interest on the line of credit is payable monthly based on changes in an independent index which is the U.S. Prime Rate as published in the Wall Street Journal. The line of credit was extended to April 3, 2020. The line of credit is subject to several financial covenants. As of June 30, 2019 and 2018, the Center was in compliance with the financial covenants.

There were no outstanding balances as of June 30, 2019 and 2018.

NOTE 7. LONG-TERM DEBT

Long-term debt as of June 30, 2019 and 2018 consists of the following:

	2019	2018
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	\$ 524,171	\$ 627,905
Less unamortized debt issuance costs	(16,723)	(23,186)
	507,448	604,719
Less current maturities	(68,510)	(65,194)
	<u>\$ 438,938</u>	<u>\$ 539,525</u>

The note payable is subject to several financial covenants. As of June 30, 2019 and 2018, the Center was in compliance with the financial covenants.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2019 and 2018**

Scheduled maturities of long-term debt are as follows:

Year ending June 30,	
2020	\$ 68,510
2021	70,699
2022	384,962
	<u>\$ 524,171</u>

The Center made principal payments on the loan in excess of the amount required by the loan agreement for years ending June 30, 2019 and 2018 in the amount of \$38,540 and \$140,204, respectively.

NOTE 8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Center's net assets without donor restrictions is comprised of amounts for the following purposes as of June 30:

	2019	2018
Undesignated	\$ (382,543)	\$ (365,128)
Board-designated for specified purpose:		
Maintenance of da Vinci Horse sculpture	50,000	50,000
Investment in property and equipment	5,799,821	6,105,498
	<u>\$ 5,467,278</u>	<u>\$ 5,790,370</u>

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2019	2018
Subject to expenditure for specified purpose:		
Expansion project	\$ 105,000	\$ 200,000
Exhibits (capital)	112,914	36,381
Science inquiry fund	65,457	65,279
Kids expo	11,771	14,422
Outreach	242,378	104,623
Summer Camp	2,073	570
STEM summer learning	43,355	41,700

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Museum education	59,008	45,200
Other	<u>-</u>	<u>8,500</u>
	641,956	516,675
Subject to the passage of time:		
Operations	187,989	201,767
Perpetual in nature:		
Endowment	<u>180,467</u>	<u>71,250</u>
	<u>\$ 1,010,412</u>	<u>\$ 789,692</u>

NOTE 10. ENDOWMENT

A donor has established an endowment with Da Vinci Science Center for Leadership in STEM Education. The intent of the donor is to contribute \$200,000 to this endowment. As of June 30, 2019, the donor has contributed \$121,250 and pledged an additional \$78,750 to be received no later than the end of calendar year 2029. The donor expects to make contributions to the fund annually, until fully funded. Until that time, the donor has stipulated that all income shall be added to the principal and no funds shall be distributed.

Once the endowment reaches \$200,000, the spendable amount shall be established by the board of trustees of the Center based on the Center's investment policy, but no expenditure shall cause the value of the principal to be reduced below the total principal contributed by the donor. Any additional contributions made to the endowment will adhere to the same endowment guidelines.

Center's Investment Policy

The Center has adopted an investment policy for its endowment assets. The Center invests endowment assets with the objectives of preservation of principal, availability of funds, and appreciation to include income and principal growth. Under this policy, the Center will ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority; and to provide funds for the annual operating budget in an amount which is not subject to large fluctuations from year-to-year to the extent possible.

Funds available for distribution will be determined by using a total return principle (i.e., return derived from dividends and interest as well as realized and unrealized capital gains). The funds available for distribution from institutional funds during any one year will be determined annually by the Board, but in no event shall the percentage be less than 2% nor more than 7% per year of the market value of the institutional funds, based on a 3-year rolling average, measured at the end of each year. The market value for this purpose will be taken net of the fees for investment management. Subject to the terms and limitations of

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2019 and 2018**

this paragraph, the specific dollar amount and timing of any distribution(s) from institutional funds will be left to the discretion of the Chief Executive Officer and the Treasurer.

NOTE 11. OPERATING LEASES

The Center leases various copiers under non-cancellable operating leases. Rent expense under these leases was \$8,980 and \$11,321 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under the above operating leases as of June 30, 2019 are as follows:

Year ending June 30,	
2020	\$ 8,372
2021	8,372
2022	8,662
2023	9,038
2024	1,517
	<u>\$ 35,961</u>

NOTE 12. SPECIAL EVENTS

Revenue and related expenses of the Center's major fundraising events are as follows:

	June 30, 2019		
	Event	Costs of	
<u>Description</u>	<u>Contributions</u>	<u>Direct Benefits</u>	<u>Net Revenue</u>
Hall of Fame Gala	\$ 166,840	\$ (98,313)	\$ 68,527
WISE Forum	77,811	(14,053)	63,758
	<u>\$ 244,651</u>	<u>\$ (112,366)</u>	<u>\$ 132,285</u>

	June 30, 2018		
	Event	Costs of	
<u>Description</u>	<u>Contributions</u>	<u>Direct Benefits</u>	<u>Net Revenue</u>
Hall of Fame Gala	\$ 181,038	\$ (115,872)	\$ 65,166
WISE Forum	71,427	(38,958)	32,469
	<u>\$ 252,465</u>	<u>\$ (154,830)</u>	<u>\$ 97,635</u>

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

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

NOTE 13. DONATED PROPERTY, MATERIALS AND SERVICES

Donated Property - 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 revenue, which is included in donated property, materials and services on the statement of activities for both the years ended June 30, 2019 and 2018 related to this lease.

Donated Services and Materials

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 services are recorded as revenue and expense in the accompanying statements of activities at fair market value on the date of receipt. Total donated property, materials and services totaled \$101,928 and \$101,261 during the years ended June 30, 2019 and 2018, respectively.

NOTE 14. RETIREMENT PLAN

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, 2019 and 2018, as the Center made no matching contributions to the plan.

NOTE 15. CONCENTRATIONS

Credit Risk

The Center maintains its cash balances in limited financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, bank balances are in excess of FDIC limits. As of June 30, 2019 and 2018 the Center had cash and certificate balances in excess of FDIC insurance limits in

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June 30, 2019 and 2018

the amount of \$467,371 and \$348,569, respectively. The Center has not experienced any losses as a result of these uninsured cash balances.

NOTE 16. PRIOR PERIOD ADJUSTMENT

Net assets in the fiscal year ending June 30, 2018 were reduced by \$35,132 to reflect additional depreciation expense on fixed assets not recorded during 2017 and 2018. The prior period adjustment increased accumulated depreciation by \$35,132 and reduced net assets by \$35,132 for the fiscal year ending June 30, 2018.