

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

FINANCIAL REPORT

June 30, 2024



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A Professional Corporation

Certified Public Accountants | Business Consultants

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of 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, 2024 and 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Da Vinci Discovery Center of Science and Technology, Inc. as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Da Vinci Discovery Center of Science and Technology, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Da Vinci Discovery Center of Science and Technology, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Da Vinci Discovery Center of Science and Technology, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Da Vinci Discovery Center of Science and Technology, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
October 30, 2024

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Financial Position****June 30, 2024 and 2023**

ASSETS	2024	2023
CURRENT ASSETS		
Cash	\$ 3,835,228	\$ 12,055,986
Accounts receivable	220,896	152,108
Grants receivable	70,066	4,358
Promises to give	1,690,880	2,751,157
Inventory	-	11,699
Prepaid expenses	434,485	64,601
TOTAL CURRENT ASSETS	6,251,555	15,039,909
NONCURRENT ASSETS		
Cash, debt service reserve	113,453	434,417
Cash, endowment	283,168	231,075
Promises to give	8,371,392	4,439,477
Property and equipment, net	66,880,076	32,696,820
Operating lease right of use asset, net	296,474	-
Operating lease receivable	1,733,821	-
Other assets	426,274	415,096
TOTAL NONCURRENT ASSETS	78,104,658	38,216,885
TOTAL ASSETS	\$ 84,356,213	\$ 53,256,794
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1,916,825	\$ 2,559,000
Accounts payable and other liabilities	725,334	2,677,306
Accrued expenses	3,754,932	1,484,025
Deferred revenue	360,486	250,286
Current portion of operating lease liability	49,652	-
TOTAL CURRENT LIABILITIES	6,807,229	6,970,617
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	37,158,948	19,700,199
Operating lease liability, net of current portion	258,309	-
Deferred lease payments	1,695,224	-
Refundable advances	491,666	3,530,000
TOTAL CURRENT LIABILITIES	39,604,147	23,230,199
TOTAL LIABILITIES	46,411,376	30,200,816
NET ASSETS		
Without donor restrictions	25,533,360	14,393,478
With donor restrictions	12,411,477	8,662,500
TOTAL NET ASSETS	37,944,837	23,055,978
TOTAL LIABILITIES AND NET ASSETS	\$ 84,356,213	\$ 53,256,794

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Activities
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Program:						
Exhibit admissions	\$ 757,567	\$ -	\$ 757,567	\$ 1,018,798	\$ -	\$ 1,018,798
Education programs	1,656,614	400,000	2,056,614	676,995	-	676,995
Guest experience	64,587	-	64,587	51,084	-	51,084
Gift shop sales	102,590	-	102,590	173,275	-	173,275
Membership	260,802	-	260,802	224,868	-	224,868
Other	20,439	-	20,439	1,922	-	1,922
Special events	173,595	-	173,595	83,869	10,640	94,509
Contributions	5,911,118	4,954,182	10,865,300	271,373	4,575,400	4,846,773
Grants, public	4,664,292	2,000,000	6,664,292	-	2,774,204	2,774,204
Grants, private	270,731	-	270,731	24,683	187,750	212,433
Investment income	246,345	-	246,345	417,284	-	417,284
Interest income, leases	13,331	-	13,331	-	-	-
Rental income, leases	25,266	-	25,266	-	-	-
Donated property, materials and services	318,288	-	318,288	114,076	-	114,076
Net assets released from restrictions	3,605,205	(3,605,205)	-	5,646,013	(5,646,013)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	18,090,770	3,748,977	21,839,747	8,704,240	1,901,981	10,606,221
EXPENSES						
Program services	3,895,413	-	3,895,413	2,917,474	-	2,917,474
Supporting services:						
Management and general	638,396	-	638,396	645,168	-	645,168
Fund raising	401,907	-	401,907	318,163	-	318,163
Expansion activities	2,015,172	-	2,015,172	1,293,617	-	1,293,617
TOTAL EXPENSES	6,950,888	-	6,950,888	5,174,422	-	5,174,422
CHANGE IN NET ASSETS	11,139,882	3,748,977	14,888,859	3,529,818	1,901,981	5,431,799
NET ASSETS, beginning,	14,393,478	8,662,500	23,055,978	10,863,660	6,760,519	17,624,179
NET ASSETS, ending	\$ 25,533,360	\$ 12,411,477	\$ 37,944,837	\$ 14,393,478	\$ 8,662,500	\$ 23,055,978

See Notes to Financial Statements.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Supporting Services					Total Less
	Program Services	Management and General	Fund Raising	Expansion Activities	Total	Expansion Activities
Personnel:						
Salaries	\$ 1,944,498	\$ 242,169	\$ 255,074	\$ 754,472	\$ 3,196,213	\$ 2,441,741
Payroll taxes	159,836	11,550	19,472	58,602	249,460	190,858
Employee benefits	188,230	70,431	35,648	57,865	352,174	294,309
	<u>2,292,564</u>	<u>324,150</u>	<u>310,194</u>	<u>870,939</u>	<u>3,797,847</u>	<u>2,926,908</u>
Advertising	402,008	2,017	500	55,143	459,668	404,525
Audit fees	-	27,315	-	20,000	47,315	27,315
Auto expense	13,364	-	-	-	13,364	13,364
Bank charges	-	6,476	-	5,434	11,910	6,476
Business transaction fees	2,838	-	1,441	-	4,279	4,279
Credit card fees	47,519	2,406	-	30	49,955	49,925
Communications	-	11,176	-	8,585	19,761	11,176
Computer costs	26,397	36,441	7,198	24,939	94,975	70,036
Cost of goods sold,						
gift shop	67,466	-	-	-	67,466	67,466
Depreciation	184,634	51,662	-	19,055	255,351	236,296
Dues and subscriptions	29	3,723	-	1,000	4,752	3,752
Equipment rental	5,057	9,956	-	4,927	19,940	15,013
Exhibit rental	335,596	-	-	-	335,596	335,596
Financing fees	-	-	-	17,450	17,450	-
Hospitality	2,408	4,194	1,177	2,657	10,436	7,779
Insurance	50,791	12,858	643	-	64,292	64,292
Interest expense	-	-	-	99,709	99,709	-
Legal fees	4,250	18,833	-	61,854	84,937	23,083
Miscellaneous	755	4,269	2,000	3,416	10,440	7,024
Occupancy	163,581	41,413	2,070	121,930	328,994	207,064
Payroll services	-	16,238	-	-	16,238	16,238
Phone	203	5,094	-	-	5,297	5,297
Postage	4,083	1,729	1,107	1,873	8,792	6,919
Printing	23,603	1,442	8,607	4,449	38,101	33,652
Professional services	63,326	12,396	28,737	624,678	729,137	104,459
Property taxes	-	-	-	10,694	10,694	-
Recruiting	-	15,419	-	6,035	21,454	15,419
Refreshments	25,713	81	22,252	-	48,046	48,046
Repairs and maintenance	31,534	-	-	9,879	41,413	31,534
Scholarship awards	-	-	13,000	-	13,000	13,000
Staff development and travel	23,481	23,492	1,243	-	48,216	48,216
Supplies	124,213	4,734	1,738	40,496	171,181	130,685
Volunteer expense	-	882	-	-	882	882
	<u>1,602,849</u>	<u>314,246</u>	<u>91,713</u>	<u>1,144,233</u>	<u>3,153,041</u>	<u>2,008,808</u>
	\$ 3,895,413	\$ 638,396	\$ 401,907	\$ 2,015,172	\$ 6,950,888	\$ 4,935,716

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Supporting Services				Total	Total Less Expansion Activities
	Program Services	Management and General	Fund Raising	Expansion Activities		
Personnel:						
Salaries	\$ 1,435,068	\$ 320,825	\$ 170,578	\$ 475,143	\$ 2,401,614	\$ 1,926,471
Payroll taxes	128,966	25,631	14,455	28,276	197,328	169,052
Employee benefits	125,099	46,207	22,862	24,561	218,729	194,168
	<u>1,689,133</u>	<u>392,663</u>	<u>207,895</u>	<u>527,980</u>	<u>2,817,671</u>	<u>2,289,691</u>
Advertising	109,877	1,600	2,500	8,240	122,217	113,977
Audit fees	-	26,515	-	11,975	38,490	26,515
Auto expense	5,028	185	-	-	5,213	5,213
Bad debt expense	355	1,173	3,438	-	4,966	4,966
Bank charges	-	2,688	-	14,756	17,444	2,688
Business transaction fees	12,519	1,257	1,625	5	15,406	15,401
Credit card fees	46,770	2,274	-	-	49,044	49,044
Communications	-	9,638	-	9,120	18,758	9,638
Computer costs	25,953	21,942	8,783	13,752	70,430	56,678
Cost of goods sold, gift shop	69,520	-	-	-	69,520	69,520
Depreciation	232,672	26,677	-	-	259,349	259,349
Dues and subscriptions	-	2,458	328	1,000	3,786	2,786
Equipment rental	-	11,976	-	4,639	16,615	11,976
Exhibit rental	241,589	-	-	-	241,589	241,589
Hospitality	8,931	2,906	336	2,116	14,289	12,173
Insurance	40,087	10,149	507	-	50,743	50,743
Interest expense	-	-	-	43,796	43,796	-
Legal fees	-	2,839	-	327,570	330,409	2,839
Miscellaneous	514	2,591	117	2,950	6,172	3,222
Occupancy	144,151	36,494	1,825	49,834	232,304	182,470
Payroll services	-	13,529	-	-	13,529	13,529
Phone	1,611	3,239	-	-	4,850	4,850
Postage	6,014	1,228	1,276	2,563	11,081	8,518
Printing	24,301	2,145	14,468	6,005	46,919	40,914
Professional services	89,783	33,998	46,871	241,965	412,617	170,652
Property taxes	-	-	-	12,721	12,721	-
Recruiting	-	7,301	-	-	7,301	7,301
Refreshments	14,287	-	11,693	-	25,980	25,980
Repairs and maintenance	18,588	-	-	2,529	21,117	18,588
Scholarship awards	-	-	13,000	-	13,000	13,000
Staff development and travel	6,016	19,079	687	5,718	31,500	25,782
Supplies	129,775	7,337	2,814	4,383	144,309	139,926
Temporary help	-	675	-	-	675	675
Volunteer expense	-	612	-	-	612	612
	<u>1,228,341</u>	<u>252,505</u>	<u>110,268</u>	<u>765,637</u>	<u>2,356,751</u>	<u>1,591,114</u>
	<u>\$ 2,917,474</u>	<u>\$ 645,168</u>	<u>\$ 318,163</u>	<u>\$ 1,293,617</u>	<u>\$ 5,174,422</u>	<u>\$ 3,880,805</u>

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows****Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,888,859	\$ 5,431,799
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of investment securities	-	(506,425)
Depreciation expense	255,351	259,349
Amortization of debt issuance costs	99,709	43,796
Amortization of leased right of use asset	9,119	-
Gain on sale of investment securities	(30)	(143,507)
(Increase) decrease in assets:		
Accounts receivable	(68,788)	(99,191)
Grants receivable	(65,708)	42,642
Unconditional promises to give	(2,871,638)	(1,362,555)
Inventory	11,699	(1,493)
Prepaid expenses	(369,884)	20,868
Other assets	(11,178)	(5,096)
Lease receivable	(13,331)	-
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(1,951,972)	2,278,809
Accrued expenses	2,270,907	1,228,839
Deferred revenue	49,652	(14,431)
Refundable advances	(3,038,334)	1,000,000
Operating lease liability	2,368	-
Deferred lease payments	(25,266)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,171,535</u>	<u>8,173,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(34,477,738)	(21,261,171)
Proceeds from sale of investment securities	<u>-</u>	<u>649,932</u>
NET CASH USED IN INVESTING ACTIVITIES		
ACTIVITIES	<u>(34,477,738)</u>	<u>(20,611,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and notes payable	19,294,974	22,215,403
Payments on loans and notes payable	<u>(2,478,400)</u>	<u>(678,330)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>16,816,574</u>	<u>21,537,073</u>
NET INCREASE (DECREASE) IN CASH	(8,489,629)	9,099,238
CASH, beginning	12,721,478	3,622,240
CASH, ending	<u>\$ 4,231,849</u>	<u>\$ 12,721,478</u>

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows****Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<u>Reconciliation of Cash</u>		
Cash, Current	\$ 3,835,228	\$ 12,055,986
Cash, Non-current	<u>396,621</u>	<u>665,492</u>
	<u>\$ 4,231,849</u>	<u>\$ 12,721,478</u>
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Operating leases	<u>\$ -</u>	<u>\$ -</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of property, materials and services	<u>\$ 318,288</u>	<u>\$ 114,076</u>
Leased assets obtained for lease obligations	<u>\$ 305,593</u>	<u>\$ -</u>

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 Da Vinci Science 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: The Lehigh Valley has a thriving STEM economy in need of a skilled workforce. According to the U.S. Department of Labor, by 2025, approximately 63% of PA jobs will require some form of postsecondary education or training, and STEM jobs will account for 91%. A significant number of new jobs will require a basic understanding of math and science.

Schools need support preparing students for future high skill, high wage jobs. When tested in 2023, 74.2% of grade 4 students and 57.0% of grade 8 students in Pennsylvania ranked proficient or above in science as measured by the Pennsylvania System of School Assessment (PSSA) tests, while in the Science Center's service region, results from PSSA test scores were mixed with proficiency scores as low as 15.7% in urban schools. Testing has consistently shown science proficiency scores dropping significantly between 4th and 8th grades, with many reasons contributing to why students disengage with STEM over time.

A growing body of research underscores that science capital, defined as an individual's scientific knowledge combined with how they think about science, who they know with an interest or career in science, and what sort of everyday engagement they have with science, is key to why students stay engaged with and succeed in STEM. In order to provide students with the science capital needed to participate and succeed in STEM post high school, 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 traditionally excluded from avenues of STEM learning such as women, people of color, and those living in low-income households, will continue to remain underrepresented in STEM professions and will not see these careers as being "for them" unless we can address all these factors.

Response to Need: Da Vinci Science Center programs are designed to help students acquire science capital and develop skills to meet regional needs for a scientifically and mathematically literate workforce. Through engaging programs and experiences in classrooms and outside of school, the Science Center stimulates interest and appreciation for science and technology in young people, and the adults who influence them. The Science 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 21st-Century science and technology careers. The Science

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

Center encourages active learning, curiosity, creativity, and imagination – traits inspired by Leonardo da Vinci and the transformative figures who have succeeded him into the modern age.

Programs and Services: To strengthen interest and achievement in science, the Da Vinci Science Center offers a variety of STEAM learning experiences for students, teachers, families, and individuals of all ages. Scholarships are available to ensure that finances are not a barrier to participation in Science Center programs.

- The Center constructed a brand new, state-of-the-art 21st century science center, **Da Vinci Science Center at PPL Pavilion**, in downtown Allentown, PA. The new facility opened in May 2024 with 4 times the capacity of its old facility at the Cedar Crest location. The old facility closed in April 2024 after serving children and families for 19 years. Until its closure in April 2024, the Da Vinci Science Center's Cedar Crest location in Allentown continued to attract visitors and program participants at a pace with prior record years. The new facility is a world-class Science Center designed for all ages with a particular focus on expanding exhibit experiences engaging teens and intentionally built in downtown Allentown to serve the 55,000+ residents who live within a one-mile radius, many of whom in low-to moderate-income households where 25% of adults lack a high school diploma. Museum exhibits were designed in partnership with area businesses and organizations, teaching the sciences of engineering and physics through manufacturing, and individual and community health through studies of the human body, medical technology, public health, environmental conservation, and sustainability. All exhibits are connected to high-demand jobs and local industry. Educational programming is aligned with Governor Shapiro's priorities supporting investments in education, economic development, and supporting the education to workforce pipeline, especially for vulnerable Pennsylvanians. The Da Vinci STEAM Learning Center on the lower level of the new facility features four fully-equipped classrooms, a Fab Lab, a Media Production Studio, a Science Kitchen and a Little Learner's Lab, creating new learning opportunities for area residents.
- The **Isaacman Next Generation Science Institute**, launched in 2022, is impacting students throughout the greater Lehigh Valley as Da Vinci educators provide professional development to teachers and school districts throughout the region. Da Vinci educators introduce the PA STEELS (Science, Technology, Engineering, Environmental Literacy and Sustainability) standards, and provide modeling through co-teaching, coaching, and student programs to help teachers implement the standards with fidelity. PA STEELS are closely aligned with the Next Generation Science Standards developed through a collaborative process involving a consortium of states and informed by the National Research Council's Framework for K-12 Education. The PA STEELS (science, technology, engineering, environmental literacy and sustainability) standards must be adopted statewide by 2025-26. As recognized experts in next generation science teaching and learning, Da Vinci educators are working closely with formal and informal educators throughout the region to support the transition to PA STEELS standards.
- Among the most innovative achievements in 2024 is the creation of **Pennsylvania's first STREAM (Science, Technology, Reading, Engineering,**

Arts and Math) Academy in partnership with the Allentown School District (ASD). This strategic partnership establishes the Science Center as a second campus for Central Elementary School and provides daily access to the museum for hands-on learning experiences in classrooms and on the exhibit floor, as well as additional learning opportunities for students and teachers at Central Elementary. The partnership extends beyond Central Elementary, impacting preK-12 students and families across the District, including a free family membership for all enrolled ASD students. ASD students are also among the first to participate in **Da Vinci's STEAM Career Pathways Program**, a ladder career exploration program for middle and high school students exposing them to careers and providing the opportunity to earn skill-based digital badges. Students who complete a series of badges which culminate in a paid internship and personal project earn the Career Pathways Certificate. This program supports Da Vinci's emphasis on helping to build a school to career education pipeline in support of high demand careers in the greater Lehigh Valley. While this program has started with students from ASD, it will ultimately be offered to students across the region.

- Workforce initiatives that link students with practicing STEAM professionals, including the **Women in Science and Engineering (WISE) Initiative** which connects practicing female STEAM professionals with one another and aspiring future scientists to help build and sustain a female STEAM workforce;
- Need and interest-based scholarships funded by the Center's **Linny Fowler STEAM Scholarship Fund**. This philanthropic fund provides 1) scholarships to students for Summer Camp, After School Programs/Science Clubs, School's Out Science Camps, and other experiences, and 2) free school field trips to the Science Center and outreach programs in schools. These scholarships provide students opportunities to explore science, technology, engineering, art, and mathematics (STEAM) subjects and careers.
- Discounted admission and memberships for those who demonstrate financial need. The Science Center provides discounts of 75% to 85% on day admission passes and family memberships for recipients eligible for SNAP, TANF, WIC, EBT, and Access program benefits. Honors and Awards: The Da Vinci Science Center has achieved national and regional recognition, including the following:
 - The Lehigh Valley Commercial and Industrial Real Estate Foundation Award in 2024 recognizing Da Vinci Science Center at PPL Pavilion as the Project of the Year for its educational impact on future generations.
 - The American Chemical Society 2019 Lehigh Section's Partners for Progress and Prosperity Award in recognition of the Da Vinci Science Center's successful and exemplary partnerships.
 - 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.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

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- 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).

Participation: Prior to its closure in April 2024, the Da Vinci Science Center's Cedar Crest location in Allentown continued to attract visitors and program participants at a pace with prior record years. Once open in May 2024, attendance at the new downtown PPL Pavilion location has been ramping to a level of 3 times that achieved at the Cedar Crest location.

Impact: The Science Center utilizes various surveying techniques to measure the educational impact of its programs and experiences. 94% of students report learning something new, 72% are likely to want to engage in science outside the classroom, and 74% report the Da Vinci programs helped increase their interest in STEAM and STEAM careers. 100% of professional learning participants can explain the shifts to the new science standards (vs. 21% before the program), 95% know specific tools they can use to teach science aligned with the new standards (vs. 17% before the program), and 94% would recommend the programs to a colleague.

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

To support its expansion efforts, The Da Vinci Discovery Center of Science and Technology, Inc. ("Parent") maintains two subsidiaries. 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).

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 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:

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

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 Directors.

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.

Accounts Receivable and Credit Losses

Accounts receivable is stated at unpaid balances, less allowance for credit losses. The Center provides for losses on accounts receivable using the allowance method. The allowance for credit losses 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. As of June 30, 2024 and 2023, management has determined that no allowance for credit losses is required.

Revenue Recognition

The Center accounts for its revenue from contracts with customers in accordance with the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*. The Center's program revenues related to admissions, guest experiences, sale of merchandise and education programs contain a single delivery element and revenue is recognized at a single point in time when ownership risks and rewards transfer. Program revenues for memberships are recognized over time based on the length of the membership. All program revenue received in advance is deferred to the applicable period in which the related services are performed.

Revenues from contracts with customers disaggregated based upon the timing of the transfer of services is as follows:

	2024	2023
Services at a single point in time	\$3,001,797	\$1,922,074
Services transferred over time	260,802	224,868
	<u>\$3,262,599</u>	<u>\$2,146,942</u>

The beginning and ending contract asset and (liability) balances were as follows:

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 220,896	\$ 152,108	\$ 52,917
Fees received in advance	(360,486)	(250,286)	(264,717)

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 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. There was no inventory as of June 30, 2024.

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. 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. Collections include a three foot bronze Horse and

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

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molds of all sizes to cast additional bronzes of 3 ft., 8 ft., and 12 ft. and molds from the original 24 ft. Horse cast in bronze and now on display in Milan, Italy. Contributed collection items are not reflected in the financial statements. Proceeds from the sale of additional bronze sculptures are reflected as increases in the appropriate net assets classes.

Copyrights

The Center owns copyrights 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.

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 2021, 2022 and 2023 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, 2024 and 2023 were \$459,668 and \$122,217.

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

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

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.

Date of Management's Review

The Center has evaluated subsequent events through October 30, 2024, the date which the financial statements were available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY

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

	2024	2023
Cash	\$ 3,835,228	\$ 12,055,986
Accounts receivable	220,896	152,108
Grants receivable	70,066	4,358
Unconditional promises to give	<u>1,690,880</u>	<u>2,751,157</u>
Total financial assets at fiscal year end	5,817,070	14,963,609
Less those unavailable for general expenditures within one year, due to:		
Financial assets subject to donor restrictions for specified purpose	(3,756,917)	(3,991,948)
Financial assets held for specified purpose designated by Board	(50,000)	(50,000)
Loan proceeds restricted for expansion project	<u>-</u>	<u>(7,486,429)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,010,153</u>	<u>\$ 3,435,232</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 demand facility line of credit available which can provide borrowings up to \$500,000. Interest on the line of credit is payable monthly using the Wall Street Journal prime rate but at no time shall be less than 3.25%. The Center had no outstanding balance on the line of credit as of June 30, 2024 and 2023.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023****NOTE 4. PROMISES TO GIVE**Unconditional Promises to Give

Unconditional promises to give consist of the following:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give	\$ 11,561,937	\$ 7,949,338
Less: Unamortized discount	<u>(1,499,665)</u>	<u>(758,704)</u>
	<u>\$ 10,062,272</u>	<u>\$ 7,190,634</u>
Amounts due in:		
Less than one year	\$ 1,690,880	\$ 2,751,157
One to five years	7,368,765	4,028,806
More than five years	<u>2,502,292</u>	<u>1,169,375</u>
	<u>\$ 11,561,937</u>	<u>\$ 7,949,338</u>

Long-term pledges are discounted as of the date the pledge was made. The discount rate used is the average of the US 10-year treasury rate and the Organization's borrowing rate.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,674,593	\$ 1,674,593
Building and building improvements	55,325,843	7,998,431
Equipment, furniture and fixtures	1,469,091	304,290
Exhibits	12,234,137	1,466,401
Auto/trucks	39,936	39,936
Gift store	-	32,499
Construction in progress	<u>6,000</u>	<u>26,469,925</u>
	70,749,600	37,986,075
Less accumulated depreciation	<u>(3,869,524)</u>	<u>(5,289,255)</u>
	<u>\$ 66,880,076</u>	<u>\$ 32,696,820</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$255,351 and \$259,349, respectively.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023****NOTE 6. LONG-TERM DEBT**

Long-term debt as of June 30, 2024 and 2023 consists of the following:

	2024	2023
City of Allentown (HUD Loan)	\$ 5,605,000	\$ 5,605,000
Fulton Bank, Gaming Term Loan Note	10,250,000	11,950,000
Fulton Bank, NIZ Term Loan Note	4,641,000	5,500,000
Fulton Bank, Public Bridge Loans	13,574,552	-
Fulton Bank, Private Bridge Loan	5,720,422	-
	39,790,974	23,055,000
Less unamortized debt issuance costs	(715,201)	(795,801)
	39,075,773	22,259,199
Less current maturities	(1,916,825)	(2,559,000)
	<u>\$ 37,158,948</u>	<u>\$ 19,700,199</u>

Fulton Bank, Gaming Term Loan Note

On December 14, 2022, the Center received \$11,950,000 from Fulton Bank for the construction of the new downtown Allentown Science Center facility. The loan is secured by future annual installments made from the Gaming and Economic Development Tourism Fund. Principal payments on the Note are due on August 1st beginning on August 1, 2023 and matures on August 1, 2029. Interest payable on the Note is 4.920% and is payable quarterly on August 1st, November 1st, February 1st, May 1st. As collateral, the Loan is secured by all the future receipts and assets of the Center, excluding the collateral held by the City of Allentown/HUD loan agreement. The loan is subject to certain covenants. As of June 30, 2024, the Center is in compliance with those covenants.

Fulton Bank, NIZ Term Loan Note

On December 14, 2022, the Center received \$5,500,000 from Fulton Bank for the construction of the new downtown Allentown Science Center facility. The loan is secured by future tax revenues generated from the Allentown Neighborhood Improvement Zone Development Authority (ANIZDA). Principal payments on the Note are due on May 1st beginning on May 1, 2023 and matures on May 1, 2042. Interest payable on the Note is 4.860% and is payable quarterly on August 1st, November 1st, February 1st, May 1st. Beginning December 14, 2032 through maturity date, the rate adjusts to a fixed rate comprised of the Index (10 year U.S. Dollar Swap Rate published by Bloomberg) plus the Margin (2.0%). As collateral, the Loan is secured by all the future receipts and assets of the Center, excluding the collateral held by the City of Allentown/HUD loan agreement. The loan is subject to certain covenants. As of June 30, 2024, the Center is in compliance with those covenants.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

As part of the NIZ Term loan agreement, the Center was required to establish a debt service reserve fund account held by Fulton Bank in the amount of \$426,721. The Center will receive the balance of the reserve, including interest earnings, only when the loan is paid in full. As of June 30, 2024 and 2023 the balance of the reserve is \$113,453 and \$434,417, respectively and is recorded as a non-current cash, reserved for debt service reserve, in the Statement of Financial Position. The Center received approval to use a portion of the reserve funds during the year ended June 30, 2024. The funds will be replenished in fiscal year 2025.

City of Allentown, HUD Section 108 Loan

On September 1, 2022, the Center received \$5,605,000 from the City of Allentown, through the HUD Section 108 loan program, for the construction of the new downtown Allentown Science Center facility. Principal payments on the Loan are due on January 1st beginning on January 1, 2025 and matures on July 1, 2041. Interest payable on the Note is 3.00% and is payable semiannually on January 1st and July 1st. As collateral, the Loan is secured by a mortgage on the new facility and an infrastructure fee of 8.5% added to all general admission tickets to the new facility, which will be deposited into a separate bank account.

As part of the HUD Section 108 loan agreement with the City of Allentown, the Center was required to establish a reserve fund account held by the City of Allentown as a security for the Loan in the amount of \$410,000. The Center will receive the balance of the reserve, including interest earnings, only when the loan is paid in full. As of June 30, 2024 and 2023, the balance of the reserve is \$426,274 and \$415,096, respectively and is recorded as a non-current assets in the Statement of Financial Position.

Future maturities of these loans and notes as of June 30, is as follows:

Year ended				
June 30	Principal	Interest	Total	
2025	\$ 1,916,825	\$ 852,025	\$ 2,768,850	
2026	1,967,355	759,893	2,727,248	
2027	2,055,895	663,849	2,719,744	
2028	2,159,662	564,482	2,724,144	
2029	2,270,662	457,769	2,728,431	
2030-2034	4,499,966	1,452,345	5,952,311	
2035-2039	3,346,190	875,335	4,221,525	
2040-2042	2,279,445	181,487	2,460,932	
	<u>\$ 20,496,000</u>	<u>\$ 5,807,185</u>	<u>\$ 26,303,185</u>	

The above maturity schedule does not include the public and private bridge loans described below.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements**June 30, 2024 and 2023**Fulton Bank, Public Bridge Loan ("Grant Receivable Loan")

On February 17, 2023, the Center approved a time loan in the maximum amount of \$17,000,000 from Fulton Bank for the construction of the new downtown Allentown Science Center facility. The loan is secured by future public grants pledged and received by the Center. Principal payments are due upon receipt of the grant proceeds securing the loan. Interest payable on the Loan is SOFR plus 150 basis points (1.50%). The loan matures on March 1, 2027.

The Center repaid \$4,000,000 of the Public Bridge Loan through 2 payments on November 2, 2023 and January 31, 2024. On May 6, 2024, the Center and Fulton Bank executed an amendment to the Public Bridge Loan allowing the Center to borrow a portion of the Grant Receivable Loan in the form of a Re-Advancement in the amount of \$4,000,000. Interest payable on the re-advanced amount is SOFR plus 150 basis points (1.50%). This portion of the loan matures on May 6, 2025.

As of June 30, 2024 and 2023, the balance of the loan was \$13,574,552 and \$0, respectively. As collateral, the Loan is secured by all the future receipts and assets of the Center, excluding the collateral held by the City of Allentown/HUD loan agreement. The loan is subject to certain covenants. As of June 30, 2024, the Center is in compliance with those covenants.

Fulton Bank, Private Bridge Loan ("Pledge Receivable Loan")

On February 21, 2023, the Center approved a time loan in the maximum amount of \$8,000,000 from Fulton Bank for the construction of the new downtown Allentown Science Center facility. The loan is secured by future private grants and contributions pledged and received by the Center. Principal payments are due beginning July 1, 2024 and quarterly thereafter based up the proceeds of the pledges received each quarter that secure the loan. Interest payable on the Loan is SOFR plus 175 basis points (1.75%). The loan matures on December 31, 2030. As of June 30, 2024 and 2023, the balance of the loan was \$5,720,422 and \$0, respectively. As collateral, the Loan is secured by all the future receipts and assets of the Center, excluding the collateral held by the City of Allentown/HUD loan agreement. The loan is subject to certain covenants. As of June 30, 2024, the Center is in compliance with those covenants.

The total amount of interest capitalized as part of the Center's construction project is \$1,501,302 and \$622,322, for the years ended June 30, 2024 and 2023, respectively.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

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

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Expansion project	\$ 2,516,712	\$ 6,906,728
Collateral on private bridge loans	6,250,143	-
Paydown of debt (Gaming Term Loan)	1,918,987	-
Program related	<u>367,169</u>	<u>259,570</u>
	11,053,011	7,166,298
Subject to the passage of time:		
Operations	1,075,298	1,265,127
Perpetual in nature:		
Endowment	<u>283,168</u>	<u>231,075</u>
	<u>\$ 12,411,477</u>	<u>\$ 8,662,500</u>

NOTE 8. ENDOWMENT

A donor has established an endowment with Da Vinci Science Center for Leadership in STEM Education. In accordance with the endowment agreement, once the endowment reached \$200,000, the spendable amount shall be established by the Board of Directors 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. The following table represents the changes in the endowment net assets for the year ending June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning	\$ 231,075	\$ 204,939
Contributions	50,000	20,000
Investment income	3,682	7,876
Administrative fees	<u>(1,589)</u>	<u>(1,740)</u>
Endowment net assets, ending	<u>\$ 283,168</u>	<u>\$ 231,075</u>

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.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

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 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 9. SPECIAL EVENTS

The Center typically holds two major special events each year. The STEAM Awards Celebration honors students, educators, professionals and companies who demonstrate excellence in scientific endeavors and support the Center's mission of Bringing Science to Life and Lives to Science. Contributions and sponsorships supported operations and programs for students at-risk. The Women in Science and Engineering (WISE) Forum and networking event encourages female students to consider careers in science, technology, engineering, arts, and math (STEAM) fields. This unique event brings together female high school students, students and professors from area universities, and accomplished women from STEAM fields. Contributions and sponsorships support the development and promotion of programs and initiatives designed to boost girl's interest and participation.

In FY2024, the Center did not hold a major STEAM Awards Celebration as it focused on opening the new facility. Instead it raised targeted donations to fund the student and teacher awards and to provide funding for the Linny Fowler STEAM Scholarship Fund which provides scholarships to support low-income students and schools serving those students.

Revenue and related expenses of these events are as follows:

<u>Description</u>	<u>June 30, 2024</u>		
	<u>Event</u>		
	<u>Contributions</u>	<u>Direct Costs</u>	<u>Net Revenue</u>
STEAM Awards	\$ 31,375	\$ (19,005)	\$ 12,370
WISE Forum	142,220	(36,409)	105,811
	<u>\$ 173,595</u>	<u>\$ (55,414)</u>	<u>\$ 118,181</u>

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

<u>Description</u>	<u>June 30, 2023</u>		
	<u>Event</u>		
	<u>Contributions</u>	<u>Direct Costs</u>	<u>Net Revenue</u>
STEAM Awards	\$ 61,866	\$ (53,035)	\$ 8,831
WISE Forum	32,643	(28,435)	4,208
	<u>\$ 94,509</u>	<u>\$ (81,470)</u>	<u>\$ 13,039</u>

NOTE 10. DONATED PROPERTY, MATERIALS AND SERVICES

The Center received donated property, materials and services as of June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Ground lease	\$ 58,000	\$ 58,000
Office space	32,588	43,450
Equipment	225,000	-
Consulting	2,500	3,333
Supplies	200	1,148
Interest forbearance	-	8,145
	<u>\$ 318,288</u>	<u>\$ 114,076</u>

The Center's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Center to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Ground Lease

The Center has a ground lease with Cedar Crest College upon which its 3145 Hamilton Bypass 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, 2024 and 2023 related to this lease.

Office Space

The Center had a rental agreement with EPC Allentown, LLC for office space in Allentown at no cost until the construction of the new facility is complete. The Center moved out of this space in March 2024. Based on an estimate of the fair value of the office space, the Center recorded \$32,588 and \$43,450 of revenue related to this space, which is included

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

June 30, 2024 and 2023

in donated property, materials and services on the statement of activities for the year ended June 30, 2024 and 2023, respectively.

Equipment

The Center received 60 laptops with an estimated fair market value of \$3,500 each and donated wiring for the new building valued at \$15,000 for a total amount of \$225,000 as of June 30, 2024. Some of the computers were provided to education employees at the Center and some were used by the students in educational programs.

Consulting

The Center was provided consulting services related to the new Science Center. Based on current market rates for these services the Center would have paid \$2,500 and \$3,333 for the year ended June 30, 2024 and 2023, respectively.

Supplies

The Center received certain donated supplies with an estimated fair market value of \$200 and \$1,148 as of June 30, 2024 and 2023, respectively. The supplies were used for various program and fundraising events.

Interest Forbearance

The Center received a 0% interest loan for the interim financing related to the purchase of the land for the new Science Center. Based on current interest rates at the time of the loan, the Center would have paid \$0 and \$8,145 in interest as of June 30, 2024 and 2023, respectively.

NOTE 11. 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, 2024 and 2023, as the Center made no matching contributions to the plan.

NOTE 12. LEASES

Center as the Lessee

The Center has entered into a long-term lease agreement for office space in downtown Allentown.

The Allentown lease began on May 1, 2024 and expires April 30, 2029 with the option to renew in three consecutive 5 year terms thereafter with 3% annual rent increases.

Operating leases are included in operating lease right-of-use (ROU) assets and current and noncurrent operating lease liabilities in the consolidated statement of net position. The Center assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Center has elected to apply the short-term lease exception to all leases with terms of a year or less to recognize the expense on the straight-line basis.

Right-of use assets (ROU) represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Center uses the implicit rate of the lease when it is readily determinable. However, since the Center's leases generally do not provide an implicit rate to determine the present value of lease payments, management has elected to use a risk-free discount rate for the applicable lease term for all classes of underlying assets. Lease expense is recognized on a straight-line basis over the lease term. The Center's lease terms used in the calculation of the ROU asset and liabilities may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The calculation of the ROU asset and liability for the office lease does not include any options to extend since those options are not reasonably certain to be exercised.

The Center's lease agreement has lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The weighted average remaining lease term and the weighted average discount rate of the Center's operating leases as of June 30, 2024 is 4.83 years and 4.64%.

Operating lease expense, included in management and general expense and program expenses totaled \$11,487 for the year ended June 30, 2024.

The aggregate future annual lease payments required to amortize the operating lease payable as of June 30, 2024, including total interest payments are as follows:

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2024 and 2023**

Year ended June 30	Principal	Interest	Total
2025	\$ 49,652	\$ 13,128	\$ 62,780
2026	60,056	10,453	70,509
2027	65,072	7,553	72,625
2028	70,390	4,413	74,803
2029	62,791	1,096	63,887
	<u>\$ 307,961</u>	<u>\$ 36,643</u>	<u>\$ 344,604</u>

Center as the Lessor

The Center entered into a sublease agreement with Salvaggio Learning Academy for its building located on the land it leases from Cedar Crest College. The initial term of the lease is from May 1, 2024 to September 30, 2033. Subject to the approval of Cedar Crest College, the Landlord of the ground lease, the lessee has the option to extend the lease for seven additional years until September 30, 2040 (first extended term) and another ten additional years to September 30, 2050 (second extended term). The present value of the future lease payments during the initial term of the lease was discounted using a rate of 4.64%. A lease receivable in the amount of \$1,733,821 was reported on the Consolidated Statement of Net Position as of June 30, 2024.

Lease income

The Center reported \$38,597 in lease income. Of that amount, \$25,266 was for principal and \$13,331 was interest income.

Leased Assets

The following is an analysis of the carrying amounts of the underlying assets related to operating leases for the year ended June 30, 2024:

Building and building improvements	\$ 7,998,430
Equipment	6,659
Less accumulated depreciation	<u>(3,708,138)</u>
Total cost, net	<u>\$ 4,296,951</u>

The following is an analysis of the maturity of the undiscounted operating lease payments:

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements**June 30, 2024 and 2023**

Year ended <u>June 30</u>	
2025	\$ -
2026	264,332
2027	264,332
2028	264,332
2029	264,332
Thereafter	<u>1,123,414</u>
	<u>\$ 2,180,742</u>

The future maturities of the undiscounted operating lease payments above assumes the first and second extended terms are not exercised by the lessee.

NOTE 13. 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. The Center has not experienced any losses as a result of these uninsured cash balances.