

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

FINANCIAL REPORT

June 30, 2021

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& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

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

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June 30, 2021 and 2020

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Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2021 and 2020, 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, 2021 and 2020, 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 27, 2021

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Financial Position**

June 30, 2021 and 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash	\$ 1,301,852	\$ 486,465
Accounts receivable	62,783	35,403
Grants receivable	116,818	144,052
Unconditional promises to give	163,783	360,059
Inventory	13,057	14,332
Prepaid expenses	90,798	154,185
Other current assets	-	52
TOTAL CURRENT ASSETS	1,749,091	1,194,548
NONCURRENT ASSETS		
Cash, endowment	191,250	171,250
Cash, restricted for expansion project	579,922	-
Unconditional promises to give	532,803	253,750
Property and equipment, net	6,245,094	5,510,537
TOTAL NONCURRENT ASSETS	7,549,069	5,935,537
TOTAL ASSETS	\$ 9,298,160	\$ 7,130,085
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 411,868	\$ 230,378
Line of credit	-	193,374
Accounts payable and other liabilities	202,447	26,614
Accrued expenses	151,093	168,964
Deferred revenue	177,748	204,633
TOTAL CURRENT LIABILITIES	943,156	823,963
LONG-TERM DEBT, less current maturities	357,873	598,399
TOTAL LIABILITIES	1,301,029	1,422,362
NET ASSETS		
Without donor restrictions	6,182,601	4,797,010
With donor restrictions	1,814,530	910,713
TOTAL NET ASSETS	7,997,131	5,707,723
TOTAL LIABILITIES AND NET ASSETS	\$ 9,298,160	\$ 7,130,085

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

Consolidated Statement of Activities

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Program:						
Exhibit admissions	\$ 221,535	\$ -	\$ 221,535	\$ 307,263	\$ -	\$ 307,263
Education programs	466,651	-	466,651	626,574	-	626,574
Guest experience	457	-	457	29,776	-	29,776
Gift shop sales	43,368	-	43,368	80,975	-	80,975
Membership	118,783	-	118,783	183,082	-	183,082
Other	4,995	-	4,995	5,882	-	5,882
Special events	129,450	1,850	131,300	78,825	56,800	135,625
Contributions	353,137	665,365	1,018,502	940,532	140,660	1,081,192
Grants, public	806,176	2,300,000	3,106,176	36,102	55,000	91,102
Grants, private	126,400	245,000	371,400	92,498	421,500	513,998
Investment income (losses)	8,132	-	8,132	(6,561)	-	(6,561)
Donated property, materials and services	58,935	-	58,935	66,389	-	66,389
Net assets released from restrictions	2,308,398	(2,308,398)	-	773,659	(773,659)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	4,646,417	903,817	5,550,234	3,214,996	(99,699)	3,115,297
EXPENSES						
Program services	2,108,072	-	2,108,072	2,303,423	-	2,303,423
Supporting services:						
Management and general	431,718	-	431,718	443,956	-	443,956
Fund raising	232,759	-	232,759	233,054	-	233,054
Expansion activities	488,277	-	488,277	904,831	-	904,831
TOTAL EXPENSES	3,260,826	-	3,260,826	3,885,264	-	3,885,264
CHANGE IN NET ASSETS	1,385,591	903,817	2,289,408	(670,268)	(99,699)	(769,967)
NET ASSETS, beginning,	4,797,010	910,713	5,707,723	5,467,278	1,010,412	6,477,690
NET ASSETS, ending	\$ 6,182,601	\$ 1,814,530	\$ 7,997,131	\$ 4,797,010	\$ 910,713	\$ 5,707,723

See Notes to Financial Statements.

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

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Supporting Services</u>				<u>Total</u>	<u>Total Less</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Expansion Activities</u>		<u>Expansion Activities</u>
Personnel:						
Salaries	\$ 756,187	\$ 189,466	\$ 147,019	\$ 148,247	\$ 1,240,919	\$ 1,092,672
Payroll taxes	65,381	15,983	12,245	11,297	104,906	93,609
Employee benefits	89,991	24,927	18,590	11,723	145,231	133,508
	<u>911,559</u>	<u>230,376</u>	<u>177,854</u>	<u>171,267</u>	<u>1,491,056</u>	<u>1,319,789</u>
Advertising	63,511	1,721	2,048	-	67,280	67,280
Auto expense	1,463	-	-	-	1,463	1,463
Bad debt expense	9,778	-	250	-	10,028	10,028
Bank charges	-	1,858	-	5,652	7,510	1,858
Business transaction fees	22,834	831	1,954	500	26,119	25,619
Credit card fees	18,645	2,205	-	-	20,850	20,850
Communications	-	12,174	-	-	12,174	12,174
Computer costs	642	8,484	4,791	13,100	27,017	13,917
Cost of goods sold, gift shop	13,498	-	-	-	13,498	13,498
Depreciation	324,748	52,016	2,000	-	378,764	378,764
Dues and subscriptions	400	3,188	-	-	3,588	3,588
Equipment rental	-	10,209	-	-	10,209	10,209
Exhibit rental	166,358	-	-	-	166,358	166,358
Hospitality	1,200	816	-	-	2,016	2,016
Insurance	30,823	7,803	390	-	39,016	39,016
Interest expense	15,654	3,963	198	4,663	24,478	19,815
Legal fees	-	4,119	-	53,334	57,453	4,119
Miscellaneous	55	1,483	-	2,300	3,838	1,538
Occupancy	126,097	31,923	1,596	-	159,616	159,616
Payroll services	-	8,694	-	-	8,694	8,694
Phone	1,380	4,894	-	140	6,414	6,274
Postage	6,280	1,413	292	2,505	10,490	7,985
Printing	15,007	657	642	829	17,135	16,306
Professional services	206,908	33,880	30,286	233,765	504,839	271,074
Recruiting	290	3,685	-	-	3,975	3,975
Refreshments	289	-	230	-	519	519
Repairs and maintenance	7,198	-	-	-	7,198	7,198
Scholarship awards	-	-	10,000	-	10,000	10,000
Staff development & travel	2,191	2,002	-	179	4,372	4,193
Supplies	161,264	2,713	228	43	164,248	164,205
Volunteer expense	-	611	-	-	611	611
	<u>1,196,513</u>	<u>201,342</u>	<u>54,905</u>	<u>317,010</u>	<u>1,769,770</u>	<u>1,452,760</u>
	<u>\$ 2,108,072</u>	<u>\$ 431,718</u>	<u>\$ 232,759</u>	<u>\$ 488,277</u>	<u>\$ 3,260,826</u>	<u>\$ 2,772,549</u>

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

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Supporting Services</u>				<u>Total</u>	<u>Total Less</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Expansion Activities</u>		<u>Expansion Activities</u>
Personnel:						
Salaries	\$ 1,014,558	\$ 204,023	\$ 161,738	\$ 115,689	\$ 1,496,008	\$ 1,380,319
Payroll taxes	89,855	14,832	12,346	8,465	125,498	117,033
Employee benefits	103,207	25,034	24,737	10,191	163,169	152,978
	<u>1,207,620</u>	<u>243,889</u>	<u>198,821</u>	<u>134,345</u>	<u>1,784,675</u>	<u>1,650,330</u>
Advertising	65,994	-	625	-	66,619	66,619
Auto expense	11,646	-	-	-	11,646	11,646
Bad debt expense	7,961	4,813	-	-	12,774	12,774
Bank charges	-	1,915	-	5,216	7,131	1,915
Business transaction fees	8,672	1,730	1,585	-	11,987	11,987
Credit card fees	22,359	-	-	-	22,359	22,359
Communications	-	3,031	-	-	3,031	3,031
Computer costs	688	351	4,182	-	5,221	5,221
Cost of goods sold, gift shop	52,480	-	-	-	52,480	52,480
Depreciation	313,382	53,309	2,000	-	368,691	368,691
Dues and subscriptions	350	2,071	-	-	2,421	2,421
Equipment rental	360	11,982	-	-	12,342	12,342
Exhibit rental	26,033	-	-	-	26,033	26,033
Hospitality	2,517	2,290	462	1,584	6,853	5,269
Insurance	26,520	6,714	336	-	33,570	33,570
Interest expense	17,452	4,418	221	3,497	25,588	22,091
Legal fees	-	9,860	-	115,000	124,860	9,860
Miscellaneous	259	1,928	10,036	-	12,223	12,223
Occupancy	139,592	35,340	1,767	-	176,699	176,699
Payroll services	-	10,484	-	-	10,484	10,484
Phone	1,800	5,442	21	440	7,703	7,263
Postage	11,604	2,493	95	-	14,192	14,192
Printing	32,546	599	4,424	39	37,608	37,569
Professional services	218,239	27,992	3,449	642,564	892,244	249,680
Recruiting	-	1,743	29	-	1,772	1,772
Refreshments	11,830	-	321	1,928	14,079	12,151
Repairs and maintenance	8,466	-	-	-	8,466	8,466
Staff development & travel	4,272	3,610	860	218	8,960	8,742
Supplies	110,781	7,325	3,820	-	121,926	121,926
Volunteer expense	-	627	-	-	627	627
	<u>1,095,803</u>	<u>200,067</u>	<u>34,233</u>	<u>770,486</u>	<u>2,100,589</u>	<u>1,330,103</u>
	<u>\$ 2,303,423</u>	<u>\$ 443,956</u>	<u>\$ 233,054</u>	<u>\$ 904,831</u>	<u>\$ 3,885,264</u>	<u>\$ 2,980,433</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows**

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,289,408	\$ (769,967)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions of investment securities	(113,356)	(200,206)
Depreciation expense	378,764	368,691
Loan forgiveness	(363,100)	-
Amortization of debt issuance costs	6,463	6,463
(Gain) loss on sale of investment securities	(3,324)	6,631
(Increase) decrease in assets:		
Accounts receivable	(27,380)	43,897
Grants receivable	27,234	(25,858)
Unconditional promises to give	(82,777)	88,521
Inventory	1,275	6,320
Prepaid expenses	63,387	(104,839)
Other current assets	52	5,594
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	175,833	(11,223)
Accrued expenses	(17,871)	2,521
Deferred revenue	(26,885)	(91,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,307,723</u>	<u>(674,455)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,113,321)	(79,407)
Proceeds from sale of investment securities	116,680	193,575
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(996,641)</u>	<u>114,168</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan payable	363,097	363,100
Proceeds from loans payable	25,000	19,996
Payments from loans payable	(19,996)	-
Proceeds (payments) from line of credit	(193,374)	193,374
Principal payments on long-term debt	(70,500)	(68,230)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>104,227</u>	<u>508,240</u>
NET INCREASE (DECREASE) IN CASH	1,415,309	(52,047)
CASH, beginning	657,715	709,762
CASH, ending	<u>\$ 2,073,024</u>	<u>\$ 657,715</u>

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

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Reconciliation of Cash</u>		
Cash, Current	\$ 1,301,852	\$ 486,465
Cash, Non-current	771,172	171,250
	<u>\$ 2,073,024</u>	<u>\$ 657,715</u>
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 18,724</u>	<u>\$ 19,646</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of property, materials and services	<u>\$ 58,935</u>	<u>\$ 66,389</u>

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

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

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. 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. In a post COVID-19 environment, this need is growing more acute as employers across all industries struggle to find reliable, qualified workers.

Schools need support preparing students for future high skill, high wage jobs. When last tested before the pandemic, 78% of grade 4 students and 58% 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 18% in urban schools. The impact of the pandemic on learning has not yet been measured, but it is expected to be negative.

Past testing has 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 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 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 during 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 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

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(STEAM) to provide an environment for innovation to flourish, and highlights 21st-Century 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 modern age.

Programs & Services: To strengthen interest and achievement in science, the Da Vinci Science Center offers the following:

- Two stories of exhibit floors offering dynamic, inquiry-based learning through hands-on displays, models and programs;
- inquiry-based science outreach programs delivered in schools and at community sites; with a priority on serving underrepresented youth in disadvantaged communities;
- professional development programs that engage teachers in inquiry, engineering design, STEM literacy, and the integration of arts and technology; and
- workforce initiatives that link 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.

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 of the Greater Lehigh Valley, the Science Center is able to offer experiences integrating STEM with the arts, and to expand the programs available for youth from lower socioeconomic backgrounds where the need is the greatest.

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 March 2021, the Science Center completed a multi-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. To counter the impact of school closures and restrictions on in-person learning imposed by the COVID-19 pandemic, the Center has been offering virtual programs to bring the benefits of project-based learning directly to students in the safety of their homes.

Honors and Awards: The Da Vinci Science Center has achieved national and regional recognition, including the following:

- 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).
- 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 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.

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COVID-19: Fiscal year 2021 was a challenging year for the Science Center due to the COVID-19 pandemic. The Science Center ceased operations on March 13, 2020 in compliance with Governor Wolf's Stay At Home Order. Upon reopening in July 2020, the Center pivoted to virtual outreach programs, socially-distanced, limited capacity summer camp programs, and hosted the North American premiere of BRICKLIVE Ocean – The Deep, an outdoor, contact-free, socially distanced exhibit. In November, the Center opened an indoor, socially distanced live animal exhibit, "Under the Canopy", which remained open through May 2021 except for a second state mandated closure in December 2020. Throughout the entire period, the Center provided virtual science lessons, delivering over 11,000 hands-on STEM kits, notebooks, and readers in English and Spanish to students in the community. Despite the challenges, the Center remained committed to delivering its mission of Bringing Science to Life and Lives to Science while protecting the safety and health of our visitors, program participants, staff, and volunteers.

Participation: Due to the impact of pandemic driven restrictions, the Science Center was only able to provide 48,726 interactions in FY2021 compared to over 154,000 pre-pandemic. FY2021 interactions included 22,345 visits to the Science Center and 17,035 interactions by the community-based STEAM Team through the Science Center's outreach programs. In addition to these in-person interactions, the STEAM Team assembled and distributed more than 11,000 STEAM kits to students and families to use at home or in the classroom. This allowed students to participate in hands-on, interactive STEAM activities despite the need to socially distance due to the COVID-19 pandemic.

Impact: Post-program surveys demonstrate that students and teachers enjoy their interactions with the Science Center, learn new things, and generally increase their science capital. For example, of students who participated in the STEM Summer Learning program, 100% responded that they had fun, activities were interesting, they learned something, got to use materials and experiment with things they had never used before, and Da Vinci programs helped them learn that they are good at science.

Future Plans: The Center is making substantial progress towards its goal of building a major new science center in downtown Allentown. The Center completed the schematic design of the facility and concept design for the major exhibit areas and is in process of preparing construction documents for the new facility and the schematic design of the exhibits. As of the end of September 2021, the Center had secured commitments to fund 70% of the project's expected cost and expects to break ground in the second quarter of 2022.

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

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

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

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:

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.

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, 2021 and 2020, management has determined that no allowance is required.

Revenue Recognition

The Organization has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers* and has concluded that no changes are necessary to conform with the new standard. The Center's program revenues related to admissions, guest experiences, sale of merchandise and education programs contain a single delivery

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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 are 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:

	<u>2021</u>	<u>2020</u>
Services at a single point in time	\$ 737,006	\$1,050,470
Services transferred over time	<u>118,783</u>	<u>183,082</u>
	<u>\$ 855,789</u>	<u>\$ 1,233,552</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 62,783	\$ 35,403	\$ 79,300
Fees received in advance	(177,748)	(204,633)	(295,633)

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.

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Notes to the Consolidated Financial Statements

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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

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 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

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Notes to the Consolidated Financial Statements

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Advertising

The Center expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2021 and 2020 were \$67,280 and \$66,619.

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 2020 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2021 financial statements.

Date of Management's Review

The Center has evaluated subsequent events through October 27, 2021, 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 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:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,301,852	\$ 486,465
Accounts receivable	62,783	35,403
Grants receivable	116,818	144,052
Unconditional promises to give	163,783	360,059
Other current assets	<u>-</u>	<u>52</u>
Total financial assets at fiscal year end	1,645,236	1,026,031
Less those unavailable for general expenditures within one year, due to:		
Financial assets subject to donor restrictions for specified purpose	(442,049)	(541,749)
Financial assets held for specified purpose designated by Board	<u>(50,000)</u>	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,153,187</u>	<u>\$ 434,282</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. See Note 6 for additional information.

NOTE 4. PROMISES TO GIVEUnconditional Promises to Give

Unconditional promises to give consists of the following:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 771,439	\$ 649,283
Less: Unamortized discount	<u>(74,853)</u>	<u>(35,474)</u>
	<u>\$ 696,586</u>	<u>\$ 613,809</u>
Amounts due in:		
Less than one year	\$ 163,783	\$ 395,533
One to five years	380,469	150,000
More than five years	<u>227,187</u>	<u>103,750</u>
	<u>\$ 771,439</u>	<u>\$ 649,283</u>

Long-term pledges have been discounted at a rate of 2.35% and 3.08% as of June 30, 2021 and 2020, respectively.

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June 30, 2021 and 2020

Conditional Promises to Give

As of June 30, 2021, the Center had conditional promises to give in the amount of \$11,870,000. The promises to give are contingent upon various phases of the development and completion of the Da Vinci Science City Expansion project in downtown Allentown.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2021 and 2020 is as follows:

	2021	2020
Building and building improvements	\$ 7,998,431	\$ 7,998,431
Equipment, furniture and fixtures	332,749	327,949
Exhibits	1,518,056	1,518,056
Auto/trucks	39,936	39,936
Gift store	32,499	32,499
Construction in progress	1,108,521	-
	11,030,192	9,916,871
Less accumulated depreciation	(4,785,098)	(4,406,334)
	<u>\$ 6,245,094</u>	<u>\$ 5,510,537</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$378,764 and \$368,691, respectively.

NOTE 6. LINE OF CREDIT

The Center has a \$500,000 demand facility line of credit with Truist Bank for operations. Interest on the line of credit is payable monthly at the Wall Street Journal prime rate. The Center had outstanding balances on the line of credit as of June 30, 2021 and 2020 in the amount of \$0 and \$193,374, respectively. On September 17, 2020, the Center paid the outstanding balance on the line of credit. On February 18, 2021, the Board of Trustees authorized the continued use of the demand facility line of credit in the event additional liquidity would be needed. The line of credit is subject to several financial covenants. As of June 30, 2021 and 2020, the Center was in compliance with the financial covenants.

NOTE 7. LONG-TERM DEBT

Long-term debt as of June 30, 2021 and 2020 consists of the following:

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	2021	2020
FNB Expansion Collateral Loan (Advance)	\$ -	\$ 19,996
Truist Expansion Collateral Loan (Advance)	25,000	-
Payroll Protection Program (PPP) Loan Payable	363,097	363,100
Note payable, Truist	<u>385,440</u>	<u>455,940</u>
	773,537	839,036
Less unamortized debt issuance costs	<u>(3,796)</u>	<u>(10,259)</u>
	769,741	828,777
Less current maturities	<u>(411,868)</u>	<u>(230,378)</u>
	<u>\$ 357,873</u>	<u>\$ 598,399</u>

The Center was appropriated \$20,000,000 by the Pennsylvania General Assembly through the Gaming and Economic Development and Tourism Fund and the Lehigh Valley Economic Development Corporation to be received in annual amounts of not less than \$2,000,000 for 10 years. The funds are targeted for debt service on construction costs for the new science center planned for downtown Allentown.

FNB Expansion Collateral Loan

On June 25, 2020, the Center was approved for a \$2,000,000 non-revolving loan for the expansion of the Da Vinci Science Center from First National Bank. The loan is secured by the first installment made from the Gaming and Economic Development Tourism Fund in the amount of \$2,000,000. The installment will be deposited with the Lender as collateral in a deposit account. As of June 30, 2020, the Center received an advance on the loan prior to the collateral deposit in the amount of \$19,996. The balance of the loan was subsequently paid off in July of 2020.

Truist Expansion Collateral Loan

On June 25, 2021, the Center was approved for a second \$2,000,000 non-revolving loan for the expansion of the Da Vinci Science Center from Truist Bank. The loan is secured by the second installment made from the Gaming and Economic Development Tourism Fund in the amount of \$2,000,000. The installment was deposited with the Lender as collateral in a deposit account in July of 2021. As of June 30, 2021, the Center received an advance on the loan prior to the collateral deposit in the amount of \$25,000. The balance of the loan was subsequently paid off in July of 2021.

PPP Loan

On May 5, 2020, the Center received loan proceeds in the amount of \$363,100 under the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The CARES Act provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. On April 16, 2021, the Organization was notified that the full amount of the PPP

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Notes to the Consolidated Financial Statements

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Loan was forgiven. The forgiven loan was recognized as a public grant in the Statement of Activities for the year ending June 30, 2021.

On February 26, 2021, the Center received additional PPP loan proceeds in the amount of \$363,097 under the Paycheck Protection Program (PPP) Round 2. Similar to PPP Round 1, the CARES Act provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a maximum of twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over ten years at an interest rate of 1%, with a deferral of payments for the first ten months. At the time of this audit, The Center had used all the proceeds of the PPP loan for qualified expenses and expects that its use of loan proceeds will meet the conditions for forgiveness of the loan.

Note Payable, Truist

On April 1, 2015, the Center obtained a note in the amount of \$1,240,000. The note is payable in monthly payments of \$7,003 (\$84,036 annually) including interest at 3.15%. All principal and interest on the note is due on March 1, 2022. The note is secured by substantially all the assets of the Center. The note is subject to several financial covenants. As of June 30, 2021, the Center was in compliance with the financial covenants.

Future Maturities

Future maturities of long-term debt as of June 30, 2021 is as follows:

Years Ending <u>June 30,</u>	<u>PPP Loan</u>	<u>Truist Expansion Loan</u>	<u>Note Payable, Truist</u>	<u>Total</u>
2022	\$ 1,428	\$ 25,000	\$ 385,440	\$ 411,868
2023	72,128	-	-	72,128
2024	72,846	-	-	72,846
2025	73,585	-	-	73,585
2026	74,324	-	-	74,324
Thereafter	68,786	-	-	68,786
	<u>\$ 363,097</u>	<u>\$ 25,000</u>	<u>\$ 385,440</u>	<u>\$ 773,537</u>

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:

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	<u>2021</u>	<u>2020</u>
Undesignated	\$ (112,493)	\$ (763,527)
Board-designated for specified purpose:		
Maintenance of da Vinci Horse sculpture	50,000	50,000
Investment in property and equipment	<u>6,245,094</u>	<u>5,510,537</u>
	<u>\$ 6,182,601</u>	<u>\$ 4,797,010</u>

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Expansion project	\$ 622,334	\$ -
Exhibits (capital)	80,000	119,912
Science inquiry fund	83,034	28,149
Kids expo	20,986	10,986
WISE	54,550	41,255
Outreach	92,500	165,793
Summer Camp	1,500	2,135
STEM summer learning	18,000	4,500
Museum education	50,000	43,000
Next Century	<u>41,479</u>	<u>126,019</u>
	1,064,383	541,749
Subject to the passage of time:		
Operations	551,004	174,902
Perpetual in nature:		
Endowment	<u>199,143</u>	<u>194,062</u>
	<u>\$ 1,814,530</u>	<u>\$ 910,713</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. Cash contributions received for the years ending June 30, 2021 and 2020, were \$5,081 and \$13,595, respectively. As of June 30, 2021, the donor has contributed a total amount of \$191,250 and pledged an additional \$8,750 to be received no later than the end of calendar

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year 2029. 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 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. Rental expense under these leases was \$8,372 and \$8,372 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under the above operating leases as of June 30, 2021 are as follows:

Year ending <u>June 30,</u>	
2022	\$ 11,958
2023	11,958
2024	11,958
	<u>\$ 35,874</u>

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NOTE 12. SPECIAL EVENTS

The Center typically holds 2 major special events each year. The Hall of Fame Event honors students, educators, professionals and companies demonstrate excellence in scientific endeavors and support the Center's mission of Bringing Science to Life and Lives to Science. The 2021 Event was held virtually and the 2020 Event was cancelled due to the COVID-19 pandemic. Contributions and sponsorships supported operations and programs for students at-risk. The Women in Science and Engineering (WISE) Forum and networking event brings together female high school students, students and professors from area universities, and accomplished women from STEM fields. The event originally scheduled for March 2020 was postponed until September 2020 at which time it was held virtually due to the COVID-19 pandemic. In collaboration with PBS39, the panel discussion was broadcast live.

Revenue and related expenses of these events are as follows:

<u>Description</u>	June 30, 2021		
	<u>Event</u>		
	<u>Contributions</u>	<u>Direct Costs</u>	<u>Net Revenue</u>
Hall of Fame Event	\$ 61,750	\$ (28,584)	\$ 33,166
WISE Forum	69,550	(22,152)	47,398
	<u>\$ 131,300</u>	<u>\$ (50,736)</u>	<u>\$ 80,564</u>

<u>Description</u>	June 30, 2020		
	<u>Event</u>		
	<u>Contributions</u>	<u>Direct Costs</u>	<u>Net Revenue</u>
Hall of Fame Event	\$ 72,575	\$ (20,128)	\$ 52,447
WISE Forum	63,050	-	63,050
	<u>\$ 135,625</u>	<u>\$ (20,128)</u>	<u>\$ 115,497</u>

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, 2021 and 2020 related to this lease.

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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 \$58,935 and \$66,389 during the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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. The Center has not experienced any losses as a result of these uninsured cash balances.

NOTE 16. COMMITMENTS

During fiscal year 2021, with the consent of the Board of Trustees, Management executed various contracts for the design and development of a major new science center in downtown Allentown. The contracts entered into prior to June 30, 2021, commit the Center to payments of \$867,527 due before June 30, 2022. The Center has raised sufficient contributions to fund these commitments.