

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

FINANCIAL REPORT

June 30, 2022

**BUCKNO
LISICKY** 
& COMPANY

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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, 2022 and 2021, 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, 2022 and 2021, 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 31, 2022

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

June 30, 2022 and 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash	\$ 3,420,990	\$ 1,301,852
Accounts receivable	52,917	62,783
Grants receivable	47,000	116,818
Unconditional promises to give	1,710,705	163,783
Inventory	10,206	13,057
Prepaid expenses	85,469	90,798
TOTAL CURRENT ASSETS	5,327,287	1,749,091
NONCURRENT ASSETS		
Cash, endowment	201,250	191,250
Cash, restricted for expansion project	-	579,922
Unconditional promises to give	4,117,374	532,803
Property and equipment, net	11,694,998	6,245,094
Other assets	410,000	-
TOTAL NONCURRENT ASSETS	16,423,622	7,549,069
TOTAL ASSETS	\$ 21,750,909	\$ 9,298,160
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 678,330	\$ 411,868
Accounts payable and other liabilities	398,497	202,446
Accrued expenses	255,186	151,093
Deferred revenue	264,717	177,748
TOTAL CURRENT LIABILITIES	1,596,730	943,155
NONCURRENT LIABILITIES		
Long-term debt, less current maturities	-	357,873
Refundable advances	2,530,000	-
TOTAL CURRENT LIABILITIES	2,530,000	357,873
TOTAL LIABILITIES	4,126,730	1,301,028
NET ASSETS		
Without donor restrictions	10,863,660	6,182,602
With donor restrictions	6,760,519	1,814,530
TOTAL NET ASSETS	17,624,179	7,997,132
TOTAL LIABILITIES AND NET ASSETS	\$ 21,750,909	\$ 9,298,160

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Consolidated Statement of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Program:						
Exhibit admissions	\$ 500,406	\$ -	\$ 500,406	\$ 221,535	\$ -	\$ 221,535
Education programs	643,340	-	643,340	466,651	-	466,651
Guest experience	6,840	-	6,840	457	-	457
Gift shop sales	130,997	-	130,997	43,368	-	43,368
Membership	159,984	-	159,984	118,783	-	118,783
Other	1,535	-	1,535	4,995	-	4,995
Special events	49,350	66,750	116,100	74,900	56,400	131,300
Contributions	404,679	5,736,058	6,140,737	353,137	665,365	1,018,502
Grants, public	370,597	4,549,297	4,919,894	806,176	2,300,000	3,106,176
Grants, private	66,630	1,010,839	1,077,469	126,400	245,000	371,400
Investment income	2,164	-	2,164	8,132	-	8,132
Donated property, materials and services	189,435	-	189,435	58,935	-	58,935
Net assets released from restrictions	6,416,955	(6,416,955)	-	2,362,948	(2,362,948)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	8,942,912	4,945,989	13,888,901	4,646,417	903,817	5,550,234
EXPENSES						
Program services	2,473,181	-	2,473,181	2,108,241	-	2,108,241
Supporting services:						
Management and general	543,640	-	543,640	431,548	-	431,548
Fund raising	313,888	-	313,888	232,759	-	232,759
Expansion activities	931,145	-	931,145	488,277	-	488,277
TOTAL EXPENSES	4,261,854	-	4,261,854	3,260,825	-	3,260,825
CHANGE IN NET ASSETS	4,681,058	4,945,989	9,627,047	1,385,592	903,817	2,289,409
NET ASSETS, beginning,	6,182,602	1,814,530	7,997,132	4,797,010	910,713	5,707,723
NET ASSETS, ending	\$ 10,863,660	\$ 6,760,519	\$ 17,624,179	\$ 6,182,602	\$ 1,814,530	\$ 7,997,132

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	<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	\$ 1,222,558	\$ 265,643	\$ 196,136	\$ 363,480	\$ 2,047,817	\$ 1,684,337
Payroll taxes	113,960	20,840	15,517	23,623	173,940	150,317
Employee benefits	122,436	17,469	27,243	21,945	189,093	167,148
	<u>1,458,954</u>	<u>303,952</u>	<u>238,896</u>	<u>409,048</u>	<u>2,410,850</u>	<u>2,001,802</u>
Advertising	40,619	1,000	150	5,998	47,767	41,769
Auto expense	5,606	-	2	-	5,608	5,608
Bad debt expense	1,516	833	2,223	-	4,572	4,572
Bank charges	-	1,612	334	6,116	8,062	1,946
Business transaction fees	47,101	2,558	1,732	42	51,433	51,391
Credit card fees	24,018	7,628	-	-	31,646	31,646
Communications	-	9,600	-	9,525	19,125	9,600
Computer costs	10,004	11,770	7,492	14,491	43,757	29,266
Cost of goods sold, gift shop	64,477	-	-	-	64,477	64,477
Depreciation	280,806	48,774	2,000	-	331,580	331,580
Dues and subscriptions	-	3,212	328	-	3,540	3,540
Equipment rental	-	7,630	-	6,531	14,161	7,630
Exhibit rental	116,871	-	-	-	116,871	116,871
Hospitality	1,864	1,555	379	1,121	4,919	3,798
Insurance	40,516	10,257	513	-	51,286	51,286
Interest expense	9,729	2,463	123	13,140	25,455	12,315
Legal fees	-	6,267	-	94,171	100,438	6,267
Miscellaneous	399	1,023	-	4,000	5,422	1,422
Occupancy	146,724	37,145	1,858	49,034	234,761	185,727
Payroll services	-	11,271	-	-	11,271	11,271
Phone	1,912	4,558	-	-	6,470	6,470
Postage	2,601	1,899	891	43	5,434	5,391
Printing	9,702	2,321	2,233	3,984	18,240	14,256
Professional services	86,048	53,565	35,891	303,348	478,852	175,504
Property taxes	-	-	-	4,794	4,794	-
Recruiting	-	5,828	-	-	5,828	5,828
Refreshments	2,085	-	688	-	2,773	2,773
Repairs and maintenance	23,259	-	-	-	23,259	23,259
Scholarship awards	-	-	13,000	-	13,000	13,000
Staff development & travel	6,439	1,632	674	4,556	13,301	8,745
Supplies	91,806	4,668	4,481	1,203	102,158	100,955
Volunteer expense	125	619	-	-	744	744
	<u>1,014,227</u>	<u>239,688</u>	<u>74,992</u>	<u>522,097</u>	<u>1,851,004</u>	<u>1,328,907</u>
	<u>\$ 2,473,181</u>	<u>\$ 543,640</u>	<u>\$ 313,888</u>	<u>\$ 931,145</u>	<u>\$ 4,261,854</u>	<u>\$ 3,330,709</u>

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	65,550	15,983	12,245	11,297	105,075	93,778
Employee benefits	89,991	24,757	18,590	11,723	145,061	133,338
	<u>911,728</u>	<u>230,206</u>	<u>177,854</u>	<u>171,267</u>	<u>1,491,055</u>	<u>1,319,788</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>
	\$ 2,108,241	\$ 431,548	\$ 232,759	\$ 488,277	\$ 3,260,825	\$ 2,772,548

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

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,627,047	\$ 2,289,409
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of investment securities	(59,021)	(113,356)
Depreciation expense	331,580	378,764
Loan forgiveness	(363,097)	(363,100)
Amortization of debt issuance costs	3,796	6,463
Gain on sale of investment securities	(2,268)	(3,324)
(Increase) decrease in assets:		
Accounts receivable	9,866	(27,380)
Grants receivable	69,818	27,234
Unconditional promises to give	(5,131,493)	(82,777)
Inventory	2,851	1,275
Prepaid expenses	5,329	63,387
Other current assets	-	52
Other assets	(410,000)	-
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	196,051	175,833
Accrued expenses	104,093	(17,871)
Deferred revenue	86,969	(26,885)
Refundable advances	2,530,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,001,521</u>	<u>2,307,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,781,484)	(1,113,321)
Proceeds from sale of investment securities	61,289	116,680
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,720,195)</u>	<u>(996,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan payable	-	363,097
Proceeds from loans and notes payable	678,330	25,000
Payments on loans payable	-	(19,996)
Proceeds (payments) from line of credit	-	(193,374)
Principal payments on long-term debt	(410,440)	(70,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>267,890</u>	<u>104,227</u>
NET INCREASE IN CASH	1,549,216	1,415,310
CASH, beginning	<u>2,073,024</u>	<u>657,714</u>
CASH, ending	\$ <u>3,622,240</u>	\$ <u>2,073,024</u>

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows****Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<u>Reconciliation of Cash</u>		
Cash, Current	\$ 3,420,990	\$ 1,301,852
Cash, Non-current	<u>201,250</u>	<u>771,172</u>
	<u>\$ 3,622,240</u>	<u>\$ 2,073,024</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 22,368</u>	<u>\$ 18,724</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of property, materials and services	<u>\$ 189,435</u>	<u>\$ 58,935</u>

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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. 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 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. Testing resumed in 2021, but participation numbers were significantly lower than previous years so it has been difficult to make comparisons between pre- and post-COVID 19 data. However, the challenges of the pandemic heightened the achievement gap among students of diverse socio-economic statuses, and preliminary data suggests that the gap was widened over the last couple of years.

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 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

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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 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 & Services: To strengthen interest and achievement in science, the Da Vinci Science Center's current facility on the campus of Cedar Crest College offers the following:

- 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, STEAM literacy, and the integration of arts and technology;
- 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 scholarships to students for Traveling Science Programs, Science Clubs, School's Out Science Camps, and other experiences. These scholarships provide students scholarship to students for classroom programs exploring science, technology, engineering, art, and mathematics (STEAM) subjects and careers.

Through collaboration with community organizations such as the Allentown Art Museum, Allentown Library, The Baum School of Art, Communities In Schools, Promise Neighborhoods, 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. In September 2022, the Science Center announced the Isaacman Next Generation Science Institute. This effort, designed in partnership with area school districts and national experts, provides learning opportunities for teachers, students, parents, families, administrators, and school board members to prepare for next-generation science teaching and learning. The Institute is designed to support the adoption of new science, environment and ecology, technology, and engineering standards in Pennsylvania.

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.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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

- 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.
- 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).

COVID-19: The Science Center has made significant strides in rebounding from the challenges of COVID-19 during fiscal year 2022. Attendance numbers are nearing pre-COVID levels, field trip reservations and summer camps are beginning to sell out again, and families are regularly enjoying the education opportunities available at our facility. This past year, the Science Center hosted several traveling exhibits that were popular among our visitors. The 2021 summer exhibit was Expedition Dinosaur: Rise of the Mammals which featured animatronic dinosaurs and interactive exhibits. In summer 2022, visitors enjoyed Playing with Light which featured exhibits that explore the physics behind light and color. There were also many educational opportunities during out-of-school hours available to students including science camps and clubs. This year the Science Center also restored The Da Vinci Pond, a permanent exhibit featuring live fish and a painted water turtle. The exhibit was retired when the Center closed in 2020 due to COVID.

Outreach programs have also rebounded with most programs conducted in person rather than the virtual format preferred during the pandemic. The Science Center continued its partnership with Allentown School District to focus on project-based learning in fourth-grade classrooms and help prepare educators for Pennsylvania's new science standards. Through collaboration with the James Lawson Freedom School, new sites were added to the STEAM Summer Learning Program in addition to those in the Allentown, Bethlehem Area, and Easton Area School Districts. Also, early learners and teachers in the Lehigh Valley Children's Centers benefited from hands-on STEAM education in pre-K programs.

Participation: With pandemic driven restrictions lifted and visitor confidence returning, participation at the Science Center rebounded to over 108,000 interactions, nearly triple the level achieved in FY2021, albeit still below the 154,000 pre-pandemic level. FY2022 interactions included 70,000 visits to the Science Center and 38,000 interactions by the community-based STEAM Team through its outreach programs.

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 STEAM 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 Science Center programs helped them build confidence that they are good at science.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

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New Facility Capital Project: The Da Vinci Science Center is constructing a major, new state-of-the-art facility in downtown Allentown, PA. The Da Vinci Science Center's current facility on the campus of Cedar Crest College in west Allentown is not large enough to accommodate current and projected demand, is not within easy walking distance of many of Allentown's low and moderate-income neighborhoods, and has limited public transit access. The new 67,292 square foot science center will include 30,000 square feet of STEAM-based interactive exhibits, a 9,579 net square foot STEAM Learning Center, a 150-seat demonstration theater, a grand courtyard assembly and exhibit space, and visitor amenities including a café and retail store. The new facility will be more than twice the size of Da Vinci's current facility, with more than three times the exhibit space. The facility will enable the science center to offer programs and services on par with other major science centers in the northeast United States.

Plans to build the new science center in Allentown were announced in Fall 2019. In 2020, a team of architects, engineers, and exhibit designers was assembled to design the new facility and exhibit experiences. Da Vinci Science City, LLC purchased the site in January 2022. Construction documents were completed in March 2022, and bids on the construction packages were received on or before May 13, 2022. Guaranteed Maximum Price contracts for the building construction and exhibit fabrication were signed in June 2022. The land development plan received final approval in July 2022, and a building permit has been issued by the City of Allentown. Construction is underway with a twenty-two month construction and outfitting schedule anticipated to build the facility and install the exhibits. Public opening is expected in the second quarter of 2024.

The greatest benefit of the new facility will be an increase in access to STEAM education for 52,596 residents that live within one-mile's walking distance of the project. For these families, the new science center will be a gamechanger. The site for the new facility was chosen for its location adjacent to many of the City's most impoverished neighborhoods. According to the U.S. Census, more than 40% of Allentown residents live within one mile of the construction site and 73% of these households qualify as low-to-moderate income. Educational programs will be specially designed for Allentown youth and families who will be able to walk to the Science Center on a regular basis. It is estimated that the new Science Center will serve 4 to 5 times as many individuals from low income households than the current facility serves today.

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).

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.

Notes to the Consolidated Financial Statements

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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 is 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, 2022 and 2021, management has determined that no allowance is required.

Revenue Recognition

The Organization 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.

DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements**

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

	<u>2022</u>	<u>2021</u>
Services at a single point in time	\$1,283,118	\$ 737,006
Services transferred over time	<u>159,984</u>	<u>118,783</u>
	<u>\$1,443,102</u>	<u>\$ 855,789</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 52,917	\$ 62,783	\$ 35,403
Fees received in advance	(264,717)	(177,748)	(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.

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.

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Notes to the Consolidated Financial Statements

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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 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 2019, 2020 and 2021 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, 2022 and 2021 were \$47,767 and \$67,280.

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Notes to the Consolidated Financial Statements

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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.

Date of Management's Review

The Center has evaluated subsequent events through October 31, 2022, 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:

	2022	2021
Cash	\$ 3,420,990	\$ 1,301,852
Accounts receivable	52,917	62,783
Grants receivable	47,000	116,818
Unconditional promises to give	<u>1,710,705</u>	<u>163,783</u>
Total financial assets at fiscal year end	5,231,612	1,645,236
Less those unavailable for general expenditures within one year, due to:		
Financial assets subject to donor restrictions for specified purpose	(2,441,895)	(1,064,383)
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>\$ 2,739,717</u>	<u>\$ 530,853</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

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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 7 for additional information.

NOTE 4. PROMISES TO GIVEUnconditional Promises to Give

Unconditional promises to give consist of the following:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give	\$ 6,363,427	\$ 771,439
Less: Unamortized discount	<u>(535,348)</u>	<u>(74,853)</u>
	<u>\$ 5,828,079</u>	<u>\$ 696,586</u>
Amounts due in:		
Less than one year	\$ 1,710,705	\$ 163,783
One to five years	3,426,472	380,469
More than five years	<u>1,226,250</u>	<u>227,187</u>
	<u>\$ 6,363,427</u>	<u>\$ 771,439</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.

Conditional Promises to Give and Refundable Advances

As of June 30, 2022, the Center had conditional promises to give in the amount of \$11,570,000. 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. Of the \$11,570,000 conditional pledges, the Center received \$2,530,000 during the 2022 fiscal year, which is recorded as Refundable Advances in the Consolidated Statement of Financial Position.

NOTE 5. HUD RESERVE ACCOUNT

As part of the HUD Section 108 loan agreement with the City of Allentown entered into as part of the financing for the new downtown Allentown Science Center facility, the Center is required to establish a reserve fund account held by the City of Allentown in the amount of \$410,000. The Center will receive the balance of the reserve, including interest, only when the HUD loan is paid in full. The \$410,000 is recorded as a long-term other asset in the Statement of Financial Position.

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NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,674,593	\$ -
Building and building improvements	7,998,431	7,998,431
Equipment, furniture and fixtures	308,679	332,749
Exhibits	1,514,095	1,518,056
Auto/trucks	39,936	39,936
Gift store	32,499	32,499
Construction in progress	<u>5,208,754</u>	<u>1,108,521</u>
	16,776,987	11,030,192
Less accumulated depreciation	<u>(5,081,989)</u>	<u>(4,785,098)</u>
	<u>\$ 11,694,998</u>	<u>\$ 6,245,094</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$331,580 and \$378,764, respectively.

NOTE 7. 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 no outstanding balances on the line of credit as of June 30, 2022 and 2021. On February 15, 2022, 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, 2022 and 2021, the Center was in compliance with the financial covenants.

NOTE 8. LONG-TERM DEBT

Long-term debt as of June 30, 2022 and 2021 consists of the following:

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	2022	2021
Truist Expansion Collateral Loan (Advance)	\$ -	\$ 25,000
Payroll Protection Program (PPP) Loan Payable	-	363,097
Note payable, Truist	-	385,440
Note payable, Other	678,330	-
	678,330	773,537
Less unamortized debt issuance costs	-	(3,796)
	678,330	769,741
Less current maturities	(678,330)	(411,868)
	<u>\$ -</u>	<u>\$ 357,873</u>

Truist Expansion Collateral Loan

On June 25, 2021, the Center was approved for a second \$2,000,000 non-revolving loan for the construction of the new downtown Allentown Science Center facility from Truist Bank. The loan was 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.

On March 18, 2022, the Center was approved for a third \$2,000,000 non-revolving loan for the construction of the new downtown Allentown Science Center facility from Truist Bank. The loan was secured by the third 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 on May 6, 2022. As of June 30, 2022, the Center had no balance outstanding on the loan.

PPP Loan

On February 26, 2021, the Center received 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. On June 1, 2022, the Organization was notified that the full amount of the PPP Loan was forgiven. The forgiven loan was recognized as a public grant in the Statement of Activities for the year ending June 30, 2022.

Note Payable, Truist

On April 1, 2015, the Center obtained a note in the amount of \$1,240,000. The note was payable in monthly payments of \$7,003 (\$84,036 annually) including interest at 3.15%. All principal and interest on the note was due on March 1, 2022. The note was secured by

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substantially all the assets of the Center. On February 25, 2022, the Note was paid off in full.

Note Payable, Other

On January 31, 2022, the Center obtained a short term 0% interest note in the amount of \$678,330. The proceeds of the note was used to partially finance the purchase of the land for the new Science Center. The Note was subsequently paid off in full on September 29, 2022.

NOTE 9. 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:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ (203,008)	\$ (112,492)
Board-designated for specified purpose:		
Maintenance of da Vinci Horse sculpture	50,000	50,000
Investment in property and equipment	<u>11,016,668</u>	<u>6,245,094</u>
	<u>\$ 10,863,660</u>	<u>\$ 6,182,602</u>

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

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

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	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Expansion project	\$ 5,167,768	\$ 622,334
Exhibits (capital)	82,500	80,000
Science inquiry fund	60,738	83,034
Kids expo	10,986	20,986
WISE	196,750	54,550
Outreach	127,108	92,500
Summer Camp	1,500	1,500
STEM summer learning	41,667	18,000
Museum education	49,297	50,000
Next Century	80,000	41,479
	<u>5,818,314</u>	<u>1,064,383</u>
Subject to the passage of time:		
Operations	740,955	551,004
Perpetual in nature:		
Endowment	<u>201,250</u>	<u>199,143</u>
	<u>\$ 6,760,519</u>	<u>\$ 1,814,530</u>

NOTE 11. 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, 2022 and 2021, were \$10,000 and \$5,081, respectively. As of June 30, 2022, the donor has contributed a total amount of \$201,250. In accordance with the endowment agreement, 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 of \$201,250 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.

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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 12. OPERATING LEASES

The Center leases various copiers under non-cancellable operating leases. Rental expense under these leases was \$12,310 and \$8,372 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under the above operating leases as of June 30, 2022 are as follows:

Year ending June 30,	
2023	\$ 12,694
2024	<u>3,586</u>
	<u>\$ 16,280</u>

NOTE 13. SPECIAL EVENTS

The Center typically holds 2 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. The 2022 Event was held in person, while the 2021 Event was held virtually 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 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 supported the development and promotion of programs and initiatives designed to boost girl's interest and participation.

Revenue and related expenses of these events are as follows:

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<u>Description</u>	June 30, 2022		
	Event		
	<u>Contributions</u>	<u>Direct Costs</u>	<u>Net Revenue</u>
STEAM Awards	\$ 49,350	\$ (61,232)	\$ (11,882)
WISE Forum	66,750	(8,498)	58,252
	<u>\$ 116,100</u>	<u>\$ (69,730)</u>	<u>\$ 46,370</u>

<u>Description</u>	June 30, 2021		
	Event		
	<u>Contributions</u>	<u>Direct Costs</u>	<u>Net Revenue</u>
STEAM Awards	\$ 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>

NOTE 14. DONATED PROPERTY, MATERIALS AND SERVICES

The Center received donated property, materials and services as of June 30, 2022 and 2021 as follows:

	2022	2021
Ground lease	\$ 58,000	\$ 58,000
Office space	43,450	-
Construction services	72,774	-
Consulting	1,500	-
Supplies	2,130	935
Interest forbearance	11,581	-
	<u>\$ 189,435</u>	<u>\$ 58,935</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.

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

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revenue, which is included in donated property, materials and services on the statement of activities for both the years ended June 30, 2022 and 2021 related to this lease.

The Center has a rental agreement with EPC Allentown, LLC for office space in Allentown at no cost until the construction of the new facility is complete

Based on an estimate of the fair value of the office space, the Center recorded \$43,450 of revenue, which is included in donated property, materials and services on the statement of activities for the year ended June 30, 2022 related to the use of this space.

The Center was provided various construction services for the new Science Center facility at no cost. Based on contractor's rates for these services the Center would have paid \$72,774 for the year ended June 30, 2022.

The Center was provided consulting services in support of a video documenting the groundbreaking ceremony for the new Science Center facility. Based on current market rates for these services the Center would have paid \$1,500 for the year ended June 30, 2022.

The Center received certain donated supplies with an estimated fair market value of \$2,130 and \$930 as of June 30, 2022 and 2021, respectively. The supplies were used for various program and fundraising events.

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 \$11,581 in interest as of June 30, 2022.

NOTE 15. 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, 2022 and 2021, as the Center made no matching contributions to the plan.

NOTE 16. 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

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\$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 17. COMMITMENTS

During fiscal year 2021 and 2022, 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, 2022, commit the Center to estimated payments of \$52,141,687. Amounts expected to be paid in fiscal year 2023 total \$31,130,488. The Center has obtained commitments from various public and private entities to fund these obligations and is in the process of obtaining bridge loans secured by the commitments to meet payment timing requirements.

NOTE 18. SUBSEQUENT EVENT

HUD Section 108 Loan

On September 24, 2022, the Center received a loan from the City of Allentown under the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. This loan is part of the financing plan for the construction of the new downtown Allentown Science Center facility. Principal on the loan is in the amount of \$5,605,666. The loan bears an interest rate of 3% and matures in 2041. Principal payments begin on January 1, 2025.