

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

FINANCIAL REPORT

June 30, 2020



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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, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Da Vinci Discovery Center of Science and Technology, Inc. (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Buchno Lisicky + Company

Allentown, Pennsylvania
October 30, 2020

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Financial Position****June 30, 2020 and 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 657,715	\$ 709,762
Accounts receivable	35,403	79,300
Grants receivable	144,052	118,194
Unconditional promises to give	395,533	398,593
Inventory	14,332	20,652
Prepaid expenses	154,185	49,346
Other current assets	52	5,646
TOTAL CURRENT ASSETS	1,401,272	1,381,493
NONCURRENT ASSETS		
Unconditional promises to give	218,276	303,737
Property and equipment, net	5,510,537	5,799,821
TOTAL NONCURRENT ASSETS	5,728,813	6,103,558
TOTAL ASSETS	\$ 7,130,085	\$ 7,485,051
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 230,378	\$ 68,510
Line of credit	193,374	-
Accounts payable and other liabilities	26,614	37,837
Accrued expenses	168,964	166,443
Deferred revenue	204,633	295,633
TOTAL CURRENT LIABILITIES	823,963	568,423
LONG-TERM DEBT, less current maturities	598,399	438,938
TOTAL LIABILITIES	1,422,362	1,007,361
NET ASSETS		
Without donor restrictions	4,797,010	5,467,278
With donor restrictions	910,713	1,010,412
TOTAL NET ASSETS	5,707,723	6,477,690
TOTAL LIABILITIES AND NET ASSETS	\$ 7,130,085	\$ 7,485,051

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Program:						
Exhibit admissions	\$ 307,263	\$ -	\$ 307,263	\$ 602,868	\$ -	\$ 602,868
Education programs	626,574	-	626,574	717,805	-	717,805
Guest experience	29,776	-	29,776	46,887	-	46,887
Gift shop sales	80,975	-	80,975	170,329	-	170,329
Membership	183,082	-	183,082	281,323	-	281,323
Other	5,882	-	5,882	11,903	-	11,903
Special events	78,825	56,800	135,625	174,791	69,860	244,651
Contributions	940,532	140,660	1,081,192	332,063	506,863	838,926
Grants, public	36,102	55,000	91,102	107,378	455,453	562,831
Grants, private	92,498	421,500	513,998	156,374	193,088	349,462
Investment income (losses)	(6,561)	-	(6,561)	(1,290)	-	(1,290)
Donated property, materials and services	66,389	-	66,389	101,928	-	101,928
Net assets released from restrictions	773,659	(773,659)	-	1,004,544	(1,004,544)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	3,214,996	(99,699)	3,115,297	3,706,903	220,720	3,927,623
EXPENSES						
Program services	2,303,423	-	2,303,423	2,532,379	-	2,532,379
Supporting services:						
Management and general	443,956	-	443,956	449,631	-	449,631
Fund raising	233,054	-	233,054	348,359	-	348,359
Expansion activities	904,831	-	904,831	699,626	-	699,626
TOTAL EXPENSES	3,885,264	-	3,885,264	4,029,995	-	4,029,995
CHANGE IN NET ASSETS	(670,268)	(99,699)	(769,967)	(323,092)	220,720	(102,372)
NET ASSETS, beginning,	5,467,278	1,010,412	6,477,690	5,790,370	789,692	6,580,062
NET ASSETS, ending	\$ 4,797,010	\$ 910,713	\$ 5,707,723	\$ 5,467,278	\$ 1,010,412	\$ 6,477,690

See Notes to Financial Statements.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Supporting Services				Total	Total Less
	Program Services	Management and General	Fund Raising	Expansion Activities		Expansion Activities
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	-	1,585	-	10,257	10,257
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
Paypal expense	-	1,730	-	-	1,730	1,730
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	109,446	7,325	3,820	-	120,591	120,591
Vending	1,335	-	-	-	1,335	1,335
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 Statement of Functional Expenses
Year Ended June 30, 2019

	Supporting Services				Total	Total Less
	Program Services	Management and General	Fund Raising	Expansion Activities		Expansion Activities
Personnel:						
Salaries	\$ 1,032,840	\$ 182,686	\$ 192,700	\$ 131,528	\$ 1,539,754	\$ 1,408,226
Payroll taxes	99,882	6,272	16,432	10,831	133,417	122,586
Employee benefits	109,304	6,976	28,998	17,574	162,852	145,278
	<u>1,242,026</u>	<u>195,934</u>	<u>238,130</u>	<u>159,933</u>	<u>1,836,023</u>	<u>1,676,090</u>
Advertising	99,249	-	500	1	99,750	99,749
Auto expense	11,560	-	-	-	11,560	11,560
Bad debt expense	-	20,757	-	-	20,757	20,757
Bank charges	-	1,332	-	220	1,552	1,332
Business transaction fees	11,670	173	903	-	12,746	12,746
Credit card fees	37,483	-	-	-	37,483	37,483
Communications	-	3,253	-	229	3,482	3,253
Computer costs	366	1,597	3,945	-	5,908	5,908
Cost of goods sold,						
gift shop	84,546	-	-	-	84,546	84,546
Depreciation	322,009	53,692	2,016	-	377,717	377,717
Dues and subscriptions	715	2,290	-	-	3,005	3,005
Equipment rental	360	9,655	-	-	10,015	10,015
Exhibit rental	92,786	-	-	-	92,786	92,786
Hospitality	4,863	1,796	338	836	7,833	6,997
Insurance	28,749	7,278	364	-	36,391	36,391
Interest expense	19,185	4,857	243	1,174	25,459	24,285
Legal fees	-	8,939	-	98,671	107,610	8,939
Miscellaneous	678	3,640	13,925	800	19,043	18,243
Occupancy	159,053	40,267	2,013	-	201,333	201,333
Paypal expense	-	2,403	-	-	2,403	2,403
Payroll services	-	11,106	-	-	11,106	11,106
Phone	1,253	3,915	62	1,047	6,277	5,230
Postage	12,900	1,220	2,145	40	16,305	16,265
Printing	30,497	1,518	13,100	7,656	52,771	45,115
Professional services	217,272	28,487	3,653	427,582	676,994	249,412
Recruiting	-	1,358	-	-	1,358	1,358
Refreshments	26,490	-	58,517	-	85,007	85,007
Repairs and maintenance	10,563	-	-	-	10,563	10,563
Scholarship awards	-	-	5,000	-	5,000	5,000
Staff development & travel	3,599	8,899	2,577	1,003	16,078	15,075
Supplies	112,479	34,653	928	434	148,494	148,060
Vending expenses	2,028	-	-	-	2,028	2,028
Volunteer expense	-	612	-	-	612	612
	<u>1,290,353</u>	<u>253,697</u>	<u>110,229</u>	<u>539,693</u>	<u>2,193,972</u>	<u>1,654,279</u>
	<u>\$ 2,532,379</u>	<u>\$ 449,631</u>	<u>\$ 348,359</u>	<u>\$ 699,626</u>	<u>\$ 4,029,995</u>	<u>\$ 3,330,369</u>

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

Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (769,967)	\$ (102,372)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of investment securities	(200,206)	(98,856)
Depreciation expense	368,691	377,717
Amortization of debt issuance costs	6,463	6,463
(Gain) loss on sale of investment securities	6,631	(1,795)
(Increase) decrease in assets:		
Accounts receivable	43,897	996
Grants receivable	(25,858)	87,198
Unconditional promises to give	88,521	(54,979)
Inventory	6,320	(7,412)
Prepaid expenses	(104,839)	10,903
Other current assets	5,594	(5,646)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,223)	(11,387)
Accrued compensation	2,521	67,420
Deferred revenue	(91,000)	(14,319)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(674,455)</u>	<u>253,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(79,407)	(72,040)
Proceeds from sale of investment securities	<u>193,575</u>	<u>100,651</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
ACTIVITIES	<u>114,168</u>	<u>28,611</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan payable	363,100	-
Proceeds from FNB loan payable	19,996	-
Proceeds from line of credit	193,374	-
Principal payments on long-term debt	<u>(68,230)</u>	<u>(103,734)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>508,240</u>	<u>(103,734)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(52,047)</u>	<u>178,808</u>
CASH AND CASH EQUIVALENTS, beginning	<u>709,762</u>	<u>530,954</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 657,715</u>	<u>\$ 709,762</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Consolidated Statements of Cash Flows****Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 19,646</u>	<u>\$ 23,472</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Contribution of property, materials and services	<u>\$ 66,389</u>	<u>\$ 101,928</u>

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

NOTE 1. NATURE OF ACTIVITIES

Mission: The Da Vinci Discovery Center of Science and Technology, Inc. (Da Vinci Science Center or Center) is a Pennsylvania nonprofit corporation whose mission is to bring science to life and lives to science.

Service Area: The Center is situated in Pennsylvania's Lehigh Valley, approximately 65 miles north of Philadelphia, Pa., and 90 miles west of New York, N.Y. Its primary service area is eastern Pennsylvania and western New Jersey—home to 3.8 million people.

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

Schools need support preparing students for future high skill, high wage jobs. In 2018-19, 77.8% of grade 4 students in Pennsylvania and 58.2% of grade 8 students were proficient or above in science as measured by the Pennsylvania System of School Assessment (PSSA) tests. In the Da Vinci Science Center's service region, results from PSSA test scores were mixed with proficiency scores as low as 18% in urban schools. In Allentown, 56.1% of 4th grade students scored proficient or above. This measure dropped to 27.1% proficient or above when students reach 8th grade.

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

Response to Need: The Da Vinci Science Center is uniquely qualified to help students acquire science capital and develop skills to meet regional needs for a workforce that is scientifically and mathematically literate. Through engaging programs and experiences during school and outside of school time, the Science Center stimulates interest and appreciation for science and technology in young people and the adults who influence them. The Center provides inquiry-based science learning experiences for individuals of all ages, connects people with the wonders of science in all aspects of their lives, integrates STEM with the Arts (STEAM) to provide an environment for innovation to flourish, and highlights innovative science and technology careers. The Center encourages active learning, curiosity, creativity, and imagination – traits inspired by

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Leonardo da Vinci and the transformative figures that have succeeded him into the 21st century.

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

- a dynamic two-story exhibit floor that facilitates inquiry-based learning through hands-on exhibits and programs;
- inquiry-based science outreach programs delivered in schools and at community sites; with a priority on serving underrepresented youth in urban communities;
- professional development programs that train teachers in inquiry, engineering design, STEM literacy, and the integration of arts and technology; and
- workforce initiatives that connect students with practicing STEM professionals, including the Women in Science and Engineering (WISE) Initiative which connects practicing female STEM professionals with one another and aspiring future scientists to help build and sustain a female STEM workforce

A wide variety of programs are offered at the Center including school workshops; summer camps; scout badge days and overnights; after school and weekend science clubs; and lectures, demonstrations, and hands-on activities for the general public. Programs offered in the community range from in-school and after-school classroom programs to larger-scale community science celebrations. Professional development programs include a federally funded program in collaboration with the Carbon-Lehigh Intermediate Unit to help Art Teachers integrate design thinking and the use of digital design, coding, and fabrication tools into their curriculum. In late 2017, the Center was awarded a two-year national grant to expand its WISE Initiative to help build a STEM learning and support ecosystem for women and girls in the greater Lehigh Valley and surrounding communities in eastern Pennsylvania. Also, through collaboration with community organizations such as the Allentown Library, The Baum School of Art, the Civic Theatre of Allentown, Communities In Schools, the Girl Scouts of Eastern PA, and the United Way, the Center is able to offer experiences integrating STEM with the arts, and to expand the programs available for youth from lower socioeconomic backgrounds where the need is the greatest.

To counter the impact of school closures and restrictions on in-person learning imposed by the Covid-19 pandemic, in late spring 2020 the Center began offering virtual programs to bring the benefits of project-based learning directly to students in the safety of their homes. The Center also opened an outdoor, contact-free, socially distanced exhibit in July 2020 designed to continue to provide science learning experiences for youth and families in a safe environment.

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

- Community Services for Children's 2016 Inez and Edward Donley Award for Children's Advocacy in recognition of public service that improves quality of life significantly for children.

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

- The United Way of the Lehigh Valley's 2014 Innovator's Award for collaborating with schools in the community to inspire students to explore science, technology, engineering, and mathematics (STEM).
- The American Chemical Society Lehigh Section's Partners for Progress and Prosperity Award in March 2019 in recognition of the Da Vinci Science Center's successful and exemplary partnerships.

Impact: The Center's impact can be measured by the number of individuals served and the impact of science learning experiences on student learning and career plans. Prior to the state mandated Covid-19 shutdowns imposed in March 2020, the Center was on track to exceed the 154,000 participation rate achieved in FY2019. Due to the shutdown during the Center's busiest season, the participation rate only reached 69,000 in FY2020. With the opening of in-person activities at the Center in July 2020 and through virtual program offerings, participation rates are recovering but still lag pre-pandemic levels. The Center's professional development and high impact student programs have demonstrated substantial and independently measurable increases in student learning and interest in science by students in urban schools.

To help students and the region thrive, students need the opportunity to deeply explore the STEAM disciplines. True STEAM education transforms the teaching and learning experience, connects learning to relevant regional career opportunities and economic growth clusters, gives students a leg up in college, and—ultimately—builds the next generation of problem solvers, innovators, inventors, collaborators and leaders. Da Vinci Science Center experiences are changing the trajectory of students' lives and the development of the region.

Future Plans: To increase its impact on students, families, and schools throughout the greater Lehigh Valley region, in October 2019, the Da Vinci Science Center announced plans to build a major new science center in downtown Allentown. In March 2020, the Center completed a comprehensive Master Plan for the new facility providing a roadmap for its development, informed by studies conducted on architectural concept design, the exhibit experience, consumer demand and attendance projections, business operations, and the feasibility of a private campaign. In July 2020, the Center received the first \$2 million annual payment of a \$20 million appropriation from the PA Gaming and Economic Development Fund. In summer and early fall 2020, the Center engaged architectural, engineering, and exhibit design firms to proceed with design/development of the new facility. In October 2020, the Da Vinci Science Center received support from the City of Allentown in the form of a \$5.6 million Section 108 loan award from the U.S. Dept. of Housing and Urban Development (HUD) to be used to finance the site acquisition, design and construction of the new facility.

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:

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Basis of Consolidation

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

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

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

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

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

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

Cash and Cash Equivalents

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

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, management has determined that no allowance is required.

Contributions

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

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount is reported in the statement of activities as contribution revenue.

Conditional promises to give are not included as revenue in the financial statements until the conditions are substantially met.

Inventory

Inventory consists of educational products and souvenir items held for resale. These items are stated at the lower of cost or market valued on a first-in, first-out basis.

Property and Equipment

Property and equipment of \$1,000 or more are recorded at cost, if purchased, or at fair market value at date of donation if received by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. All expenditures for maintenance and repairs are expensed in the period incurred.

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

Collections

The Leonardo da Vinci Horse, Inc. collections of the Center are not recognized as assets on the statements of financial position. Contributed collection items are not reflected in the financial statements. Proceeds from the sales of these items are reflected as increases in the appropriate net assets classes. The Center's collections, acquired with the Leonardo da Vinci Horse, Inc. merger in July 2003, are made up of art objects held for educational and curatorial purposes.

Copyrights and Trademarks

The Center owns copyrights and trademarks for Da Vinci horse sculptures. Royalties from related items are reflected as increases in the appropriate net assets classes.

Debt Issuance Costs

Debt issuance costs are reported as a reduction of the carrying amount of long-term debt and are amortized to interest expense over the life of the related debt.

Income taxes

The Internal Revenue Service recognizes the Center as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

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 2017, 2018 and 2019 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, 2020 and 2019 were \$66,619 and \$99,750.

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.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019****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 2019 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2020 financial statements.

Date of Management's Review

The Center has evaluated subsequent events through October 30, 2020, 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:

Cash and cash equivalents	\$ 657,715
Accounts receivable	35,403
Grants receivable	144,052
Unconditional promises to give	395,533
Other current assets	<u>52</u>
Total financial assets at fiscal year end	1,232,755
Less those unavailable for general expenditures within one year, due to:	
Financial assets subject to donor restrictions for specified purpose	(541,749)
Financial assets held for specified purpose designated by Board	(50,000)
Financial assets held for future perpetual endowment	<u>(171,250)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 469,756</u>

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019**

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

NOTE 4. PROMISES TO GIVEUnconditional Promises to Give

Unconditional promises to give consists of the following:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 649,283	\$ 769,468
Less: Unamortized discount	<u>(35,474)</u>	<u>(67,138)</u>
	<u>\$ 613,809</u>	<u>\$ 702,330</u>
Amounts due in:		
Less than one year	\$ 395,533	\$ 398,593
One to five years	150,000	231,500
More than five years	<u>103,750</u>	<u>139,375</u>
	<u>\$ 649,283</u>	<u>\$ 769,468</u>

Long-term pledges have been discounted at a rate of 3.08% and 3.75% as of June 30, 2020 and 2019, respectively.

Conditional Promises to Give

As of June 30, 2020, the Center had conditional promises to give in the amount of \$800,000. The promises to give are contingent upon the continuation of the development of the Da Vinci Science City Expansion project.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2020 and 2019 is as follows:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019**

	2020	2019
Building and building improvements	\$ 7,998,431	\$ 7,998,431
Equipment, furniture and fixtures	327,949	325,973
Exhibits	1,518,056	1,404,220
Auto/trucks	39,936	39,936
Gift store	32,499	32,499
Construction in progress	-	36,405
	9,916,871	9,837,464
Less accumulated depreciation	(4,406,334)	(4,037,643)
	<u>\$ 5,510,537</u>	<u>\$ 5,799,821</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$368,691 and \$377,717, respectively.

NOTE 6. LINE OF CREDIT

On February 25, 2020, the Center renewed a \$500,000 line of credit for operations to April 2, 2021. Interest on the line of credit is payable monthly at the Wall Street Journal prime rate. As of June 30, 2020, the interest rate was 3.25%. The line is secured by substantially all of the assets of the Center. The line of credit is subject to several financial covenants. See below "Financial Covenants" section under Note 7. The Center had outstanding balances as of June 30, 2020 and 2019 from the line of credit in the amount of \$193,374 and \$0, respectively. On September 17, 2020, the Center paid the outstanding balance on the line of credit.

NOTE 7. LONG-TERM DEBT

Long-term debt as of June 30, 2020 and 2019 consists of the following:

	2020	2019
First National Bank of Pennsylvania Expansion Loan	\$ 19,996	\$ -
Payroll Protection Program (PPP) Loan Payable	363,100	-
Note payable, BB&T	455,940	524,171
	839,036	524,171
Less unamortized debt issuance costs	(10,259)	(16,723)
	828,777	507,448
Less current maturities	(230,378)	(68,510)
	<u>\$ 598,399</u>	<u>\$ 438,938</u>

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

First National Bank of Pennsylvania Expansion Loan

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. As a part of the initial financing, the Center obtained a non-revolving loan with First National Bank of Pennsylvania.

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. Interest on the loan is payable monthly at LIBOR plus 2.0% (2.18% as of June 30, 2020). All principal and interest is due on July 31, 2021. As of June 30, 2020, the Center had total advances in the amount of \$19,996.

PPP Loan

On May 5, 2020, the Organization 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. 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 amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Note Payable, BB&T

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. See below "Financial Covenants" section.

Future Maturities

Future maturities of long-term debt as of June 30, 2020 is as follows:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019**

Years Ending June 30,	PPP Loan	Expansion Project Loan	Note Payable	Total
2021	\$ 159,687	\$ -	\$ 70,691	\$ 230,378
2022	203,413	19,996	385,249	608,658
	<u>\$ 363,100</u>	<u>\$ 19,996</u>	<u>\$ 455,940</u>	<u>\$ 839,036</u>

Financial Covenants

Due to COVID-19 and the shutdown of operations in March 2020, as discussed further in Note 16, the Center did not meet certain technical financial covenants on the note and the line of credit with BB&T bank as of June 30, 2020. The Center was granted a waiver by the bank.

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:

	2020	2019
Undesignated	\$ (763,527)	\$ (382,543)
Board-designated for specified purpose:		
Maintenance of da Vinci Horse sculpture	50,000	50,000
Investment in property and equipment	<u>5,510,537</u>	<u>5,799,821</u>
	<u>\$ 4,797,010</u>	<u>\$ 5,467,278</u>

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

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

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Expansion project	\$ -	\$ 105,000
Exhibits (capital)	122,912	112,914
Science inquiry fund	28,149	65,457
Kids expo	10,986	11,771
WISE	41,255	10,000
Outreach	165,793	242,378
Summer Camp	2,135	2,073
STEM summer learning	4,500	43,355
Museum education	40,000	49,008
Next Century	<u>126,019</u>	<u>-</u>
	541,749	641,956
Subject to the passage of time:		
Operations	174,902	187,989
Perpetual in nature:		
Endowment	<u>194,062</u>	<u>180,467</u>
	<u>\$ 910,713</u>	<u>\$ 1,010,412</u>

NOTE 10. ENDOWMENT

A donor has established an endowment with Da Vinci Science Center for Leadership in STEM Education. The intent of the donor is to contribute \$200,000 to this endowment. As of June 30, 2020, the donor has contributed \$171,250 and pledged an additional \$28,750 to be received no later than the end of calendar 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.

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019**

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 \$8,980 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under the above operating leases as of June 30, 2020 are as follows:

Year ending June 30,	
2021	\$ 8,372
2022	8,372
2023	8,662
2024	2,094
	<u>\$ 27,500</u>

NOTE 12. SPECIAL EVENTS

The Center typically holds 2 major fundraising events annually. The Hall of Fame Gala honors students, educators, professionals, companies and partners who demonstrate excellence in scientific endeavors and support the Center's mission of Bringing Science to Life and Lives to Science. The 2020 Gala event was cancelled due to the Covid-19 pandemic. Advance tickets were never sold. Sponsors generously donated their contributions to support 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, and math (STEM) fields. The 2020 in-person WISE Forum event was cancelled due to the Covid-19 pandemic. In collaboration with PBS39, the panel discussion was broadcast live on September 9, 2020.

Revenue and related expenses of these events are as follows:

THE DA VINCI DISCOVERY CENTER OF SCIENCE AND TECHNOLOGY, INC.**Notes to the Consolidated Financial Statements****June 30, 2020 and 2019**

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

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

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, 2020 and 2019 related to this lease.

Donated Services and Materials

Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated materials and services are recorded as revenue and expense in the accompanying statements of activities at fair market value on the date of receipt. Total donated property, materials and services totaled \$66,389 and \$101,928 during the years ended June 30, 2020 and 2019, respectively.

NOTE 14. RETIREMENT PLAN*Defined Contribution Plan*

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

Notes to the Consolidated Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, 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. COVID-19

Effective March 16, 2020, the Science Center temporarily closed its operations in response to the novel coronavirus (COVID-19) pandemic. The Science Center remained closed through June 2020, the months of its busiest season, and lost \$750,000 in revenue as a result. The Science Center furloughed all but a core team of the staff from April-June 2020. With SBA Payroll Protection Plan funding, the Center began bringing back staff in June 2020 in preparation for in-person and virtual summer camps and the July 15th opening of BRICKLIVE Ocean-The Deep, an outdoor, socially distanced, contact-free exhibit. Attendance at this outdoor exhibit has been lower than typical during the summer months. The Science Center also developed and conducted a slate of virtual STEAM programs in order to help schools deliver strong STEAM curriculum to their students whether in school or online and provide online out of school time experiences for youth and their families. In November and December 2020, the Science Center plans to host an indoor socially distanced live animal exhibit with limited operating hours and expects to scale back operations further beginning in January 2021 until June 2021 when it plans to resume full operations with a major exhibition on Dinosaurs. Throughout the 2020/2021 school year, the Science Center will continue to provide virtual STEAM programs to students and fulfill its grant-funded obligations. With these plans and with continued philanthropic support, the Science Center expects to have sufficient liquidity to survive the pandemic, with the expectation that it will be able to resume full operations in June 2021. The Center hopes to emerge from the pandemic with a suite of virtual programs to add to its existing lines of business and shovel-ready drawings for a major new science center, the latter to take advantage of the anticipated increase in public infrastructure funding.