

**Salvadori Center, Ltd.  
Financial Statements  
June 30, 2012**

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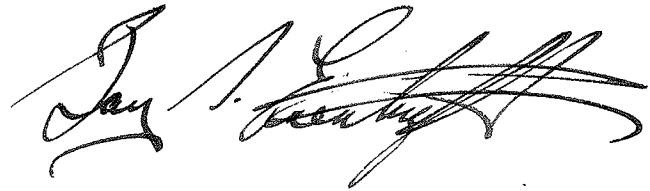
Independent Auditor's Report

To the Board of Directors  
of Salvadori Center, Ltd.

I have audited the accompanying statement of financial position of Salvadori Center, Ltd., as of June 30, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salvadori Center, Ltd., as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



October 19, 2012

**Salvadori Center, Ltd.**  
**Statement of Financial Position**  
**June 30, 2012**  
**(With Summarized Financial Information for 2011)**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 49,769	\$ 157,311
Prepaid expenses	8,815	6,055
Investments in marketable securities	1,204,106	1,090,521
Accounts receivable	1,283	-
Program fees receivable	146,498	171,100
Unconditional promises to give	143,651	118,235
Inventory - educational materials for sale	15,243	19,379
	1,569,365	1,562,601
Property and equipment, net	7,303	824
Security deposit	4,720	4,720
	<u>\$ 1,581,388</u>	<u>\$ 1,568,145</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 10,754	\$ 76,389
Current portion of liability for unpaid scholarships	13,750	15,250
Liability for accrued vacation	11,813	16,569
	36,317	108,208
Net Assets	1,545,071	1,459,937
	<u>\$ 1,581,388</u>	<u>\$ 1,568,145</u>

See notes to these financial statements and independent auditor's report.

**Salvadori Center, Ltd.**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**  
**(With Summarized Financial Information for 2011)**

	<b>Unrestricted</b>	<b>Total <u>2012</u></b>	<b><u>2011</u></b>
<b>Support and Revenue</b>			
Contributions	\$ 537,552	\$ 537,552	\$ 668,066
Direct costs of special events	(58,508)	(58,508)	(48,112)
	<u>479,044</u>	<u>479,044</u>	<u>619,954</u>
Grants	194,682	407,062	352,592
Program service fees	184,010	184,010	317,654
Investment income	31,578	31,578	33,014
Realized gain (loss) on marketable securities	(9,008)	(9,008)	7,672
Unrealized gain (loss) on marketable securities	(4,653)	(4,653)	43,989
Royalties	10,543	10,543	7,084
Sales of educational materials, net	1,866	1,866	3,003
Satisfaction of program restrictions	212,380	-	-
	<u>1,100,442</u>	<u>1,100,442</u>	<u>1,384,962</u>
<b>Expenses</b>			
Program services:			
Educational activities	686,674	686,674	738,545
Supporting services:			
General and administrative	265,190	265,190	234,562
Fund-raising	63,444	63,444	119,593
	<u>328,634</u>	<u>328,634</u>	<u>354,155</u>
Total expenses	<u>1,015,308</u>	<u>1,015,308</u>	<u>1,092,700</u>
Increase in net assets	85,134	85,134	292,262
Beginning net assets	1,459,937	1,459,937	1,167,675
Ending net assets	<u>\$ 1,545,071</u>	<u>\$ 1,545,071</u>	<u>\$ 1,459,937</u>

See notes to these financial statements and independent auditor's report.

**Salvadori Center, Ltd.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2012**  
**(With Summarized Financial Information for 2011)**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 85,134	\$ 292,262
Adjustment to increase in net assets to net cash provided by operating activities:		
Depreciation	1,420	235
Unrealized gain on marketable securities	4,653	43,989
(Increase) decrease in:		
Accounts receivable	(1,283)	5,246
Unconditional promises to give	(25,416)	(46,216)
Program fees receivable	24,602	(117,010)
Prepaid expenses	(2,760)	(2,443)
Inventory - educational materials	4,136	(535)
Loans receivable	-	2,303
Increase (decrease) in:		
Accounts payable	(65,635)	66,974
Liability for unpaid scholarships	(1,500)	(3,000)
Liability for accrued vacation	(4,756)	1,901
Net cash provided by operating activities	18,595	243,706
<b>Cash Flows Used By Investing Activities</b>		
Purchases of marketable securities, net	(118,238)	(173,413)
Purchase of Equipment	(7,899)	-
Net cash used by investing activities	(126,137)	(173,413)
Increase (decrease) in cash	(107,542)	70,293
Beginning Cash	157,311	87,018
Ending Cash	\$ 49,769	\$ 157,311

See notes to these financial statements and independent auditor's report.

**Salvadori Center, Ltd.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2012**  
**(With Summarized Financial Information for 2011)**

	Supporting Services					Total	2011
	Program Services	Educational Activities	General and Administrative	Fund-raising	Direct Costs of Special Events		
Salaries and wages	\$ 409,993	\$ 148,842	\$ 41,342	\$ -	\$ -	\$ 600,177	\$ 610,339
Payroll taxes	37,794	13,895	3,890	-	-	55,579	89,759
Employee benefits	74,308	27,319	7,650	-	-	109,277	91,733
Payroll processing fees	1,885	693	194	-	-	2,772	2,997
Consulting	52,206	6,984	1,955	-	-	61,145	92,307
Occupancy	41,185	15,142	4,239	-	-	60,566	61,132
Catering, room, equipment and music	5,272	1,938	543	-	48,268	56,021	37,010
Supplies, software and other	25,817	9,492	2,657	-	443	38,409	55,895
Accounting and auditing	-	17,090	-	-	-	17,090	13,440
Printing and reproduction	6,375	2,344	656	-	7,606	16,981	24,407
Bank charges and credit card fees	-	13,144	-	-	-	13,144	7,409
Travel and meetings	11,474	-	-	-	40	11,514	14,042
Scholarships	8,000	-	-	-	-	8,000	1,750
Insurance	-	7,168	-	-	-	7,168	7,293
Educational materials and books	7,137	-	-	-	-	7,137	6,793
Telephone and Internet expenses	2,968	1,091	305	-	-	4,364	6,480
Postage and delivery	2,399	882	247	-	-	3,528	3,593
Decoration, awards and other	-	-	-	-	2,151	2,151	830
Outreach, public information and advertising	2,129	-	-	-	-	2,129	320
Depreciation and amortization	966	355	99	-	-	1,420	235
Adjustment of liability for accrued vacation pay	(3,234)	(1,189)	(333)	-	-	(4,756)	1,901
Bad debt expense	-	-	-	-	-	-	11,147
Total expenses	686,674	265,190	63,444	\$ 58,508	\$ 1,073,816	1,140,812	
Less expenses deducted from revenues on statement of changes in net assets	-	-	-	(58,508)	-	(58,508)	(48,112)
	\$ 686,674	\$ 265,190	\$ 63,444	\$ -	\$ 1,015,308	\$ 1,092,700	

See notes to these financial statements and independent auditor's report.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities

Salvadori Center, Ltd. (Salvadori Center), founded by eminent structural engineer Mario Salvadori (1907-1997), is dedicated to teaching teachers to integrate architecture and engineering into all aspects of the curriculum - from mathematics and science to English language arts. Its programs provide on-site mentoring and intensive professional development to elementary, middle and high school teachers throughout New York City. Its innovative programs teach students abstract concepts by engaging them in real world design and construction activities, a central purpose of which is to help them develop better problem-solving skills, sharpen their critical thinking abilities, and broaden their vision of themselves and their world.

Salvadori Center's support comes primarily through foundation grants, donor contributions and program service fees.

Salvadori Center was incorporated in the State of New York in 1987.

Basis of Accounting

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

Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and / or nature of any donor restrictions. Salvadori Center has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Program service, sales and royalty income is recognized when earned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Highly liquid short-term investments that are convertible to cash within 90 days of purchase are considered cash equivalents.

Investments

Investments in equity and debt instruments are carried at market value.

Inventories

Inventories of supplies are stated at the lower of cost or market determined by the first-in, first-out method.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 1 - (Continued)**

Property and Equipment

Property and equipment are recorded at cost or, if donated, the approximate fair value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets.

It is the policy of Salvadori Center to capitalize items with a value greater than \$2,000.

Income Taxes

Salvadori Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salvadori Center uses the term "development" synonymously with the word fund-raising.

Concentrations

Approximately 94% of program service fee revenue came from the New York City public school system.

Subsequent Events

In preparing these financial statements, Salvadori Center, Ltd., has evaluated events and transactions for potential recognition or disclosure through October 19, 2012, the date the financial statements were available to be issued.

**Note 2 - Property and Equipment**

Property and equipment consists of:

Computer equipment	\$11,716
Less: accumulated depreciation and amortization	<u>(4,413)</u>
	<u>\$ 7,303</u>

Depreciation and amortization was \$1,420 in the year ended June 30, 2012.

**Note 3 - Employee benefits**

Salvadori Center maintains a 403(b) retirement plan. In addition to employee contributions Salvadori Center contributes 5% of eligible salaries for qualified employees.

Salvadori Center contributed \$21,260 to the plan during the year ended June 30, 2012.

See independent auditor's report.



**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 4 – Commitments**

In April 2009, Salvadori Center entered into an agreement to lease premises for a term expiring October 31, 2011, at a rate of \$4,720 per month commencing June 1, 2009. The lease was subsequently renewed for another year.

On September 20, 2012, Salvadori Center renewed its lease for an additional year ending October 31, 2013.

The annual rent for each calendar year ending December 31 is computed as an amount equal to Salvadori Center's Proportionate Share (as defined) of: (1) The landlord's carrying, maintenance, operating and depreciation charges for the building, parking lot, other improvements (including common facilities) and underlying land for each year, plus (1) the amount of his scheduled contributions to the landlord's capital improvement fund for the year.

Lease payments until December 31, 2012, have been agreed upon in the amount of \$5,104 per month. Rent payments for calendar year 2013 will be provided by the landlord. He has indicated an expected year to year increase of approximately 2%.

Payments during the year ended June 30, 2012, amounted to \$60,238.

**Note 5 – Investments**

Salvadori's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by U.S. generally accepted accounting principles.

Level 1 assets have observable market prices.

Level 2 assets do not have observable prices, but have inputs that are based on observable prices.

Level 3 assets have inputs that do not have observable prices.

Investments consist of the following at market value:

Level 1 Securities:

Corporate bonds	\$ 66,112
Exchange traded funds	324,867
Mutual funds	<u>645,622</u>
	1,036,601

Level 2 Securities:

Market linked deposits	<u>167,505</u>
	<u>\$1,204,106</u>

See independent auditor's report.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 6 – Unconditional Promises to Give**

Unconditional promises to give are recorded as support when pledged unless the pledge is conditional and the conditions have not yet been met. At June 30, 2012, all unconditional promises to give receivable are expected to be collected; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2012.

**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets by revenue source and changes therein for the year ended June 30, 2012, were as follows:

	Balance June 30, 2011	Additions	Releases From Restrictions	Balance June 30, 2011
<b><u>Restricted by time and purpose:</u></b>				
Grant for a program named BRIDGES (Build, Research, Invent, Design, Grow and Explore through Science)				
June 2011 – July 2012 (1)	\$ -	\$ 212,380	\$ 212,380	\$ -

(1) In September 2007, Salvadori Center received a grant in the amount of \$1,141,485 from the National Science Foundation (NSF). The funding is a five-year grant for a program named BRIDGES (Build, Research, Invent, Design, Grow and Explore through Science). Through this program, Salvadori Center partners with after-school programs run by the New York City Housing Authority and serving 8 to 12 year olds. The award was originally scheduled to fund programming through June 30, 2011, but has been extended through the year ending June 30, 2013. As of June 30, 2012, Salvadori Center has earned and vouchered \$624,092 of this grant. Future allocations from NSF are contingent on the availability of funds but are scheduled according to the terms of the grant, to be earned within the grant period which ends June 30, 2013.

Management Letter

To the Board of Directors  
of Salvadori Center, Ltd.

In planning and performing my audit of the financial statements of Salvadori Center, Ltd., for the year ended June 30, 2012, I considered the Organization's internal control in order to determine my audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

The points that follow are the result of observations of the current systems made by Eisenkraft, CPA staff during the audit process. This letter does not affect my report on the financial statements of Salvadori Center, Ltd.

**Segregation of Duties**

The current staff size of Salvadori Center, Ltd., does not always allow for the proper segregation of duties to ensure adequate internal control. This is not unusual, but management should be aware of this condition and realize that the concentration of duties in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the establishment of systems of accounting policies and practices that insure that the Board of Directors remains involved in the financial affairs of the Organization, providing oversight and independent review functions.

In response to this issue, the board currently reviews the internal financial statements of Salvadori Center, Ltd., on a regular basis and in other ways provides guidance and oversight regarding its financial affairs.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



October 19, 2012