

**Salvadori Center, Ltd.  
Financial Statements  
June 30, 2013**

Index

<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
<b>Notes to Financial Statements</b>	7 - 10

Independent Auditor's Report

To the Board of Directors of  
Salvadori Center, Ltd.

I have audited the accompanying financial statements of Salvadori Center, Ltd. the statement of financial position as of June 30, 2013, the related statements of activities, cash flows, and functional expenses for the year 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salvadori Center, Ltd., as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

I have previously audited Salvadori Center, Ltd., 2012 financial statements, and my report dated October 19, 2012, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to be 'D. P. ...', written in a cursive style.

October 24, 2013

**Salvadori Center, Ltd.**  
**Statement of Financial Position**  
**June 30, 2013**  
**(With Summarized Financial Information for 2012)**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 240,251	\$ 49,769
Prepaid expenses	7,007	8,815
Investments in marketable securities	1,364,077	1,204,106
Program fees receivable	45,295	147,781
Unconditional promises to give	173,155	143,651
Inventory - educational materials for sale	-	15,243
	1,829,785	1,569,365
Property and equipment, net	5,488	7,303
Security deposit	4,720	4,720
	\$ 1,839,993	\$ 1,581,388
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 38,209	\$ 10,754
Liability for unpaid scholarships	-	13,750
Liability for accrued vacation	8,550	11,813
	46,759	36,317
Net Assets	1,793,234	1,545,071
	\$ 1,839,993	\$ 1,581,388

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

**Salvadori Center, Ltd.**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**  
**(With Summarized Financial Information for 2012)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>2012</u>
<b>Support and Revenue</b>				
Contributions	\$ 562,051	\$ -	\$ 562,051	\$ 537,552
Direct costs of special events	(58,253)	-	(58,253)	(58,508)
	503,798	-	503,798	479,044
Grants	81,820	419,568	501,388	407,062
Program service fees	276,343	-	276,343	185,876
Investment income	38,009	-	38,009	31,578
Realized gain (loss) on marketable securities	2,144	-	2,144	(9,008)
Unrealized gain (loss) on marketable securities	37,180	-	37,180	(4,653)
Royalties	9,211	-	9,211	10,543
Other Income	47,709	-	47,709	-
Satisfaction of program restrictions	419,568	(419,568)	-	-
	<u>1,415,782</u>	<u>-</u>	<u>1,415,782</u>	<u>1,100,442</u>
<b>Expenses</b>				
Program services:				
Educational activities	816,982	-	816,982	686,674
Supporting services:				
General and administrative	243,944	-	243,944	265,190
Fund-raising	106,693	-	106,693	63,444
	<u>350,637</u>	<u>-</u>	<u>350,637</u>	<u>328,634</u>
Total expenses	<u>1,167,619</u>	<u>-</u>	<u>1,167,619</u>	<u>1,015,308</u>
Increase in net assets	248,163	-	248,163	85,134
Beginning net assets	1,545,071	-	1,545,071	1,459,937
Ending net assets	<u>\$ 1,793,234</u>	<u>\$ -</u>	<u>\$ 1,793,234</u>	<u>\$ 1,545,071</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, 2013**  
**(With Summarized Financial Information for 2012)**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 248,163	\$ 85,134
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,815	1,420
Unrealized gain (loss) on marketable securities	(37,180)	4,653
(Increase) decrease in:		
Prepaid expenses	1,808	(2,760)
Program fees receivable	102,486	23,319
Unconditional promises to give	(29,504)	(25,416)
Inventory - educational materials	15,243	4,136
Increase (decrease) in:		
Accounts payable	27,455	(65,635)
Liability for unpaid scholarships	(13,750)	(1,500)
Liability for accrued vacation	(3,263)	(4,756)
Net cash provided by operating activities	313,273	18,595
<b>Cash Flows from Investing Activities</b>		
Purchases of marketable securities, net	(122,791)	(118,238)
Purchase of Equipment	-	(7,899)
Net cash used by investing activities	(122,791)	(126,137)
Increase (decrease) in Cash	190,482	(107,542)
Beginning Cash	49,769	157,311
Ending Cash	\$ 240,251	\$ 49,769

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

Salvadori Center, Ltd.  
Statement of Functional Expenses  
For the Year Ended June 30, 2013  
(With Summarized Financial Information for 2012)

	Supporting Services				Total 2013	2012
	Program Services	Educational Activities	General and Administrative	Fund-raising		
Salaries and wages	\$ 479,150	\$ 128,223	\$ 67,486	\$ -	\$ 674,859	\$ 595,421
Employee benefits	68,798	18,411	9,690	-	96,899	109,277
Payroll taxes	40,771	10,911	5,742	-	57,424	58,351
Consulting and professional fees	90,892	22,259	7,103	-	120,254	78,235
Supplies, software and other	44,489	17,111	6,844	2,306	70,750	38,409
Occupancy	41,753	16,059	6,423	-	64,235	60,566
Catering, room, equipment and music	1,639	631	252	47,006	49,528	56,021
Printing and reproduction	13,448	5,172	2,069	4,169	24,858	16,981
Travel and meetings	12,904	-	-	250	13,154	11,514
Outreach, public information and advertising	12,996	-	-	-	12,996	2,129
Investment fees	-	8,460	-	-	8,460	6,448
Insurance	-	7,888	-	-	7,888	7,168
Bank charges and credit card fees	-	6,108	-	-	6,108	6,696
Telephone and Internet expenses	3,919	1,507	603	-	6,029	4,364
Postage and delivery	1,949	750	300	687	3,686	3,528
Educational materials and books	3,094	-	-	-	3,094	7,137
Decoration, awards and other	-	-	-	2,835	2,835	2,151
Depreciation and amortization	1,180	454	181	-	1,815	1,420
Scholarships	-	-	-	1,000	1,000	8,000
<b>Total expenses</b>	<b>816,982</b>	<b>243,944</b>	<b>106,693</b>	<b>58,253</b>	<b>1,225,872</b>	<b>1,073,816</b>
Less expenses deducted from revenues on statement of changes in net assets	-	-	-	(58,253)	(58,253)	(58,508)
	<b>\$ 816,982</b>	<b>\$ 243,944</b>	<b>\$ 106,693</b>	<b>\$ -</b>	<b>\$ 1,167,619</b>	<b>\$ 1,015,308</b>

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

**Salvadori Center, Ltd.  
Notes to Financial Statements  
June 30, 2013**

**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.

See independent auditor's report.



**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2013**

**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

The Organization maintains cash balances in one financial institution, which at times exceeds federally insured limits. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk.

Approximately 75% 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 24, 2013, the date the financial statements were available to be issued.

**Note 2 - Property and Equipment**

Property and equipment consists of:

Computer equipment	\$ 9,076
Less: accumulated depreciation and amortization	<u>(3,588)</u>
	<u>\$ 5,488</u>

Depreciation and amortization was \$1,815 in the year ended June 30, 2013.

See independent auditor's report.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2013**

**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 \$25,328 to the plan during the year ended June 30, 2013.

**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. On October 3, 2013 a new lease was entered into on the same terms for the period November 1, 2013 through October 31, 2015.

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, 2013, have been agreed upon in the amount of \$5,267 per month. Rent payments for calendar year 2014 will be provided by the landlord. He has indicated an expected year to year increase of approximately 4%.

Payments during the year ended June 30, 2013, amounted to \$63,572.

**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:

Exchange traded funds	\$ 414,145
Mutual funds	<u>772,422</u>
	1,186,567

Level 2 Securities:

Market linked deposits	<u>177,510</u>
	<u>\$1,364,077</u>

See independent auditor's report.

**Salvadori Center, Ltd.  
Notes to Financial Statements  
June 30, 2013**

**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, 2013, all unconditional promises to give receivable are expected to be collected; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2013.

**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets by revenue source and changes therein for the year ended June 30, 2013, were as follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Releases From Restrictions</b>	<b>Balance June 30, 2013</b>
<b><u>Restricted by time and purpose:</u></b>				
Grant for a program named BRIDGES (Build, Research, Invent, Design, Grow and Explore through Science) July 2012 – June 2013 (1)	\$ -	\$ 419,568	\$ 419,568	\$ -

(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 August 2013. As of June 30, 2013, Salvadori Center earned and vouchered \$1,043,660 of this grant. Future allocations from NSF were contingent on the availability of funds but were scheduled according to the terms of the grant, to be earned within the grant period which ended August 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, 2013, 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.

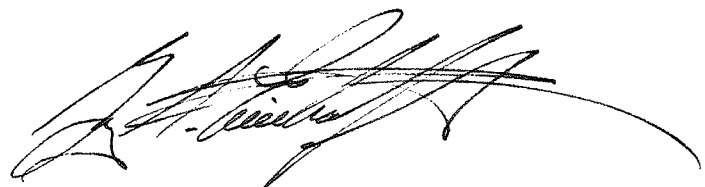
The points that follow are the result of observations of the current systems made by Eisenkraft, CPA staff during the audit process. This letter does not affect my report on the financial statements of Salvadori Center, Ltd.

**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 24, 2013