

**Salvadori Center, Ltd.
Financial Statements
June 30, 2014**

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Independent Auditor's Report

To the Board of Directors of
Salvadori Center, Ltd.

I have audited the accompanying financial statements of Salvadori Center, Ltd., which comprise the Statement of Financial Position as of June 30, 2014, 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, 2014, 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 the Salvadori Center, Ltd.'s, 2013 financial statements and in my report dated October 24, 2013 expressed an unmodified opinion on those financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 24, 2014

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

Salvadori Center, Ltd.
Statements of Financial Position
June 30, 2014
(With Summarized Financial Information for 2013)

	Unrestricted			
	Operating	Board Designated	Total 2014	2013
Assets				
Current Assets				
Cash	\$ 140,617	\$ -	\$ 140,617	\$ 240,251
Prepaid expenses	3,505	-	3,505	7,007
Investments in marketable securities	1,655,591	-	1,655,591	1,364,077
Program fees receivable	64,165	-	64,165	45,295
Grants and pledges receivable	64,355	-	64,355	173,155
Total Current Assets	1,928,233	-	1,928,233	1,829,785
Property and equipment, net	3,672	-	3,672	5,488
Other Assets				
Security deposit	4,720	-	4,720	4,720
Total Other Assets	4,720	-	4,720	4,720
Total Assets	\$ 1,936,625	\$ -	\$ 1,936,625	\$ 1,839,993
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 50,004	\$ -	\$ 50,004	\$ 38,209
Liability for accrued vacation	11,830	-	11,830	8,550
Other liability	8,000	-	8,000	-
Total Liabilities	69,834	-	69,834	46,759
Net Assets				
Unrestricted	1,866,791	-	1,866,791	1,793,234
Total Net Assets	1,866,791	-	1,866,791	1,793,234
Total Liabilities and Net Assets	\$ 1,936,625	\$ -	\$ 1,936,625	\$ 1,839,993

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

Salvadori Center, Ltd.
Statements of Activities
For the Year Ended June 30, 2014
(With Summarized Financial Information for 2013)

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Total</u>	
	<u>Operating</u>	<u>Board</u>	<u>Restricted</u>	<u>2014</u>	<u>2013</u>
		<u>Designated</u>			
Support and Revenue					
Contributions	\$ 520,762	\$ -	\$ -	\$ 520,762	\$ 562,051
Less: direct costs of special events	(60,064)	-	-	(60,064)	(58,253)
	460,698	-	-	460,698	503,798
Grants	184,752	-	13,723	198,475	501,388
Program service fees	265,746	-	21,000	286,746	276,343
Investment income	38,716	-	-	38,716	38,009
Realized gain (loss) on marketable securities	(3,838)	-	-	(3,838)	2,144
Unrealized gain on marketable securities	112,675	-	-	112,675	37,180
Royalties	8,926	-	-	8,926	9,211
Other Income	-	-	-	-	47,709
	<u>1,067,675</u>	<u>-</u>	<u>34,723</u>	<u>1,102,398</u>	<u>1,415,782</u>
Net assets released from restrictions:					
Satisfaction of board designated purpose	50,000	(50,000)	-	-	-
Satisfaction of program restrictions	34,723	-	(34,723)	-	-
Total Support and Revenue	<u>1,152,398</u>	<u>(50,000)</u>	<u>-</u>	<u>1,102,398</u>	<u>1,415,782</u>
Expenses					
Program services:					
Educational activities	813,854	-	-	813,854	816,982
Supporting services:					
General and administrative	134,305	-	-	134,305	243,944
Fund-raising	80,682	-	-	80,682	106,693
Total Supporting services	<u>214,987</u>	<u>-</u>	<u>-</u>	<u>214,987</u>	<u>350,637</u>
Total expenses	<u>1,028,841</u>	<u>-</u>	<u>-</u>	<u>1,028,841</u>	<u>1,167,619</u>
Increase (decrease) in net assets before releases from designations	123,557	(50,000)	-	73,557	248,163
Transfer to board designated fund	(50,000)	50,000	-	-	-
Change in net assets	73,557	-	-	73,557	248,163
Beginning net assets	1,793,234	-	-	1,793,234	1,545,071
Ending net assets	<u>\$ 1,866,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,866,791</u>	<u>\$ 1,793,234</u>

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

Salvadori Center, Ltd.
Statements of Cash Flows
For the Year Ended June 30, 2014
(With Summarized Financial Information for 2013)

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 73,557	\$ 248,163
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,815	1,815
Unrealized gain on marketable securities	(113,675)	(37,180)
(Increase) decrease in operating assets:		
Prepaid expenses	3,502	1,808
Program fees receivable	(18,870)	102,486
Grants and pledges receivable	108,800	(29,504)
Inventory - educational materials	-	15,243
Increase (decrease) in operating liabilities:		
Accounts payable	11,796	27,455
Liability for unpaid scholarships	-	(13,750)
Liability for accrued vacation	3,280	(3,263)
Other liability	8,000	-
Net cash provided by operating activities	78,205	313,273
Cash Flows from Investing Activities		
Purchases of marketable securities, net	(177,839)	(122,791)
Net cash used in investing activities	(177,839)	(122,791)
Increase (decrease) in Cash	(99,634)	190,482
Beginning Cash	240,251	49,769
Ending Cash	\$ 140,617	\$ 240,251

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

Salvadori Center, Ltd.
 Statements of Functional Expenses
 Year Ended June 30, 2014
 (With Summarized Financial Information for 2013)

	Supporting Services				Total <u>2014</u>	Total <u>2013</u>
	Program Services	General and Administrative	Fund-raising	Direct Costs of Special Events		
Salaries and wages	\$ 490,926	\$ 65,695	\$ 54,690	\$ -	611,311	674,859
Employee benefits	93,751	12,891	10,547	-	117,189	96,899
Payroll taxes	41,692	5,733	4,690	-	52,115	57,424
Consulting and professional fees	78,943	15,837	1,770	-	96,550	120,254
Occupancy	51,490	7,080	5,792	-	64,362	64,235
Catering, room, equipment and music	270	37	30	46,705	47,042	49,528
Supplies, software and other	12,398	1,705	1,395	995	16,493	70,750
Outreach, public information and advertising	15,646	-	-	175	15,821	12,996
Investment fees	-	10,257	-	-	10,257	8,460
Travel and meetings	9,727	-	-	58	9,785	13,154
Printing and reproduction	3,907	537	440	4,444	9,328	24,858
Telephone and Internet expenses	7,102	976	799	-	8,877	6,029
Insurance	-	7,410	-	-	7,410	7,888
Decoration, awards and other	-	-	-	5,997	5,997	2,835
Bank charges and credit card fees	-	5,500	-	-	5,500	6,108
Postage and delivery	3,255	447	366	690	4,758	3,686
Educational materials and books	3,295	-	-	-	3,295	3,094
Depreciation	1,452	200	163	-	1,815	1,815
Scholarships	-	-	-	1,000	1,000	1,000
	<u>813,854</u>	<u>134,305</u>	<u>80,682</u>	<u>60,064</u>	<u>1,088,905</u>	<u>1,225,872</u>
Less expenses deducted from revenues on statement of changes in net assets	-	-	-	(60,064)	(60,064)	(58,253)
Total Expenses	<u>\$ 813,854</u>	<u>\$ 134,305</u>	<u>\$ 80,682</u>	<u>\$ -</u>	<u>\$ 1,028,841</u>	<u>\$ 1,167,619</u>

Less expenses deducted from revenues
on statement of changes in net assets

Total Expenses

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

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2014

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 (1907-1977) is dedicated to using the built environment-building, bridges, landmarks, and the urban fabric-to teach students science, technology, engineering and math (STEM). The Salvadori approach develops critical and creative problem solving skills through collaborative, project-based learning. Salvadori curricula support all aspects of student learning from math and science to reading and presentation skills, the visual arts, social studies, and English language development.

Salvadori's multi-day programs address grade-specific learning objectives as well as city, state, and national educational standards. Long-standing partnerships with public schools, community centers, and museums enable Salvadori to reach some of our most under-served communities.

Salvadori's after-school programs and in-school residencies are complimented by professional development workshops for teachers.

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 accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses related to the operations and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net assets represent resources available for use, but expendable only for the purpose specifically stated by the donor. As of June 30, 2014 there were no temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on only related investments for general or specific purpose. As of June 30, 2014 there were no permanently restricted net assets.

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2014

Note 1 - (Continued)

Use of Estimates

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

Cash

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in a major financial institution and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less when purchased to be cash equivalents.

Investments

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

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition

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

Income is recognized on an accrual basis when earned.

Accounts and Pledges Receivable

Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. For the year ended June 30, 2014 the allowance for doubtful accounts was \$0.

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2014

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 as follow:

Equipment	5 years
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It is the policy of Salvadori Center to capitalize items with a value greater than \$2,000.

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the assets, are capitalized.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Promises to Give

Unconditional promises to give are recognized in the period received both as revenues or gains and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Income Taxes

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

Tax Uncertainties

The Organization's policy is to record interest expense and penalties in operating expenses. For the year ended June 30, 2014, there was no interest and penalties expense recorded and no accrued interest and penalties.

The Organization's Federal Forms 990 are open for examination for the years ended June 30, 2011, on.

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 programs and supporting services benefited.

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2014

Note 1 - (Continued)

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 71% of program service fee revenue came from the New York City public school system.

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Subsequent Events

In preparing these financial statements, Salvadori Center, Ltd., has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 24, 2014, the date the financial statements were available to be issued.

Note 2 - Grants and Pledges Receivable

Grants and pledges receivable are recorded as support when pledged unless the pledge and grant is conditional and the conditions have not yet been met. As of June 30, 2014, all grants and pledges receivable are expected to be collected; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2014.

Note 3 - Property and Equipment

Property and equipment consists of:

Computer equipment	\$ 9,076
Less: accumulated depreciation	<u>(5,404)</u>
Net Property and Equipment	<u>\$ 3,672</u>

Depreciation was \$1,815 for the year ended June 30, 2014.

Note 4 - 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 \$23,754 to the plan during the year ended June 30, 2014.

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2014

Note 5 – Commitments

In April 2009, Salvadori Center entered into an agreement to lease premises for a term expired 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, 2014, have been agreed upon in the amount of \$5,347 per month. Rent payments for calendar year 2015 will be provided by the landlord.

Payments during the year ended June 30, 2014, amounted to \$63,695.

Note 6 – 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	\$ 533,818
Mutual funds	<u>931,570</u>
	1,465,388

Level 2 Securities:

Market linked deposits	<u>190,203</u>
	<u>\$1,655,591</u>

Note 7 - Board Designated Fund

During the year ended June 30, 2014, the board of directors designated \$50,000 to fund program technology samples. The balance was spent in total during the year.

See Independent auditor's report.

Management Suggestion 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, 2014, 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, 2014