

**Salvadori Center, Ltd.  
Financial Statements  
June 30, 2016**

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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, 2016, the related Statements of Activities, Functional Expenses and Cash Flows 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.

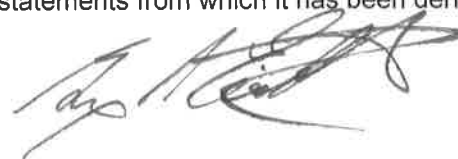
**Opinion**

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, 2016, 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 June 30, 2015 financial statements and expressed an unmodified audit opinion on those audited financial statements in my report dated November 4, 2015. In my opinion, the summarized comparative information presented herein, as of, and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 1, 2016



**Salvadori Center, Ltd.**  
**Statement of Financial Position**  
**June 30, 2016**  
**(With Summarized Financial Information for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 197,765	\$ 95,224
Prepaid expenses	11,183	2,238
Program fees receivable	276,195	222,947
Grants and pledges receivable	76,860	86,535
Total Current Assets	562,003	406,944
Other Assets		
Investments in marketable securities	1,474,974	1,617,501
Security deposit	4,720	4,720
Total Other Assets	1,479,694	1,622,221
Total Assets	\$ 2,041,697	\$ 2,029,165
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 34,804	\$ 45,615
Liability for accrued vacation	10,949	12,650
Program advances	-	-
Total Current Liabilities	45,753	58,265
Net Assets		
Unrestricted	1,995,944	1,970,900
Total Net Assets	1,995,944	1,970,900
Total Liabilities and Net Assets	\$ 2,041,697	\$ 2,029,165

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

**Salvadori Center, Ltd.**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**  
**(With Summarized Financial Information for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Support and Revenue</b>		
Contributions	\$ 569,688	\$ 596,118
Less: Direct costs of special events	(57,018)	(58,636)
	512,670	537,482
Grants	239,664	290,120
Program service fees	493,404	388,724
Investment income	33,542	37,936
Realized gain (loss) on marketable securities	43,070	(9,020)
Unrealized gain (loss) on marketable securities	(49,327)	23
Sales of books and materials	7,833	7,232
	768,186	715,015
 Total Support and Revenue	 1,280,856	 1,252,497
 <b>Expenses</b>		
Program services:		
Educational activities	1,001,630	903,077
Supporting services:		
General and administrative	148,121	150,055
Fund-raising	106,061	95,256
Total Supporting Services	254,182	245,311
Total Expenses	1,255,812	1,148,388
Change in Net Assets	25,044	104,109
Beginning Net Assets	1,970,900	1,866,791
Ending Net Assets	\$ 1,995,944	\$ 1,970,900

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

**Salvadori Center, Ltd.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**  
**(With Summarized Financial Information for 2015)**

	<u>Supporting Services</u>				<u>Total</u> <u>2016</u>	<u>2015</u>
	<u>Program</u> <u>Services</u>	<u>Educational</u> <u>Activities</u>	<u>General</u> <u>and</u> <u>Administrative</u>	<u>Fund-raising</u>		
Salaries and wages	\$ 638,205	\$ 87,753	\$ 71,798	\$ -	\$ 797,756	\$ 673,722
Employee benefits	93,410	12,844	10,509	-	116,763	109,930
Payroll taxes	47,115	6,478	5,301	-	58,894	48,780
Occupancy	53,853	7,405	6,058	-	67,316	65,479
Catering, room, equipment and music	-	-	-	53,301	53,301	54,099
Supplies, software and other	44,695	5,571	4,558	1,827	56,651	92,972
Outreach, public information and advertising	39,355	-	-	-	39,355	38,121
Consulting and professional fees	32,498	4,468	3,656	-	40,622	52,008
Insurance	18,939	2,604	2,131	-	23,674	16,579
Travel and meetings	14,095	-	-	140	14,235	14,855
Investment fees	-	11,675	-	-	11,675	11,256
Telephone and Internet expenses	8,460	1,163	952	-	10,575	9,182
Bank charges and credit card fees	-	6,819	-	-	6,819	5,762
Printing and reproduction	4,629	636	521	750	6,536	7,586
Postage and delivery	5,126	705	577	-	6,408	5,693
Scholarships	1,250	-	-	1,000	2,250	1,000
	<u>1,001,630</u>	<u>148,121</u>	<u>106,061</u>	<u>57,018</u>	<u>1,312,830</u>	<u>1,207,024</u>
Less: Direct costs of special events deducted from income on Statement on Activities	-	-	-	(57,018)	(57,018)	(58,636)
Total Expenses	<u>\$ 1,001,630</u>	<u>\$ 148,121</u>	<u>\$ 106,061</u>	<u>\$ -</u>	<u>\$ 1,255,812</u>	<u>\$ 1,148,388</u>

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

**Salvadori Center, Ltd.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**  
**(With Summarized Financial Information for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 25,044	\$ 104,109
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	3,672
Unrealized gain on marketable securities	49,327	(23)
(Increase) decrease in operating assets:		
Prepaid expenses	(8,945)	1,267
Program fees receivable	(53,248)	(158,782)
Grants and pledges receivable	9,675	(22,180)
Interest and dividends receivable	1,184	(1,184)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(10,811)	(4,389)
Liability for accrued vacation	(1,701)	820
Other liability	-	(8,000)
Net cash used in operating activities	10,525	(84,690)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of marketable securities	398,787	363,816
Purchase of of marketable securities	(306,771)	(324,519)
Net cash provided by investing activities	92,016	39,297
Increase (Decrease) in Cash	102,541	(45,393)
Beginning Cash	95,224	140,617
Ending Cash	\$ 197,765	\$ 95,224

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

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Nature of Activities

Salvadori Center, Ltd. (the Organization), founded by eminent structural engineer Mario Salvadori (1907-1977) is dedicated to using the built environment - buildings, bridges, landmarks, and the urban fabric to teach students science, technology, engineering and math (STEM). The Organization's approach develops critical and creative problem solving skills through collaborative, project-based learning. The Organization's 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.

The Organization'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 the Organization to reach some of our most under-served communities.

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

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

The Organization 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, 2016, 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, 2016, there were no permanently restricted net assets.

See independent auditor's report.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2016**

**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 are recorded at fair value. Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Organization's financial statements.

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. The Organization 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.



**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1 - (Continued)**

Program fees, Grants and Pledges Receivable

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.

Program fees, grants 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. As of June 30, 2016, the allowance for doubtful accounts was \$0.

All of the Organization's grants and pledges receivable on June 30, 2016 are due to be collected within the current operating cycle of one year.

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 the Organization 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.

Income Taxes

The Organization 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.

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.

See independent auditor's report.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1 - (Continued)**

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, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 1, 2016, the date the financial statements were available to be issued.

**Note 2 – Employee benefits**

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

The Organization contributed \$31,969 to the plan during the year ended June 30, 2016.

**Note 3 – Commitments**

In October 2013, Salvadori Center entered into an agreement to lease premises for a term expiring October 31, 2015. The lease was subsequently renewed for another year.

In June, 2016, the Organization entered into an agreement to lease premises for a term beginning on September 1, 2016 and expiring on November 30, 2020.

The annual rent for each calendar year ending December 31 is computed as an amount equal to the Organization'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 and adjacent sidewalk for such year, plus (2) the amount of his scheduled contributions to the landlord's capital improvement fund for the year.

Rent payments until December 31, 2017, have been agreed upon in the amount of \$5,758 per month. Rent payments for calendar year 2017 will be 69,773.

Rent expense for the year ended June 30, 2016, amounted to \$66,618.

**Salvadori Center, Ltd.**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 4 – Investments**

The Organization'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.

As of June 30, 2016, the Organization's investments consist of the following at market value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Floating Rate Loan Fund	\$ 21,960	\$ -	\$ -	\$ 21,960
Fixed Income, Domestic	943,532	-	-	943,532
Fixed Income, International	136,110	-	-	136,110
Exchange Traded Funds				
Equities, Domestic	311,214	-	-	311,214
Equities, Domestic and International	62,158	-	-	62,158
Total	<u>\$1,474,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,474,974</u>

**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, 2016, 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.



December 1, 2016