

**Salvadori Center, Ltd.
Financial Statements
June 30, 2018**

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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, 2018, 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, 2018, 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, 2017 financial statements and expressed an unmodified audit opinion on those audited financial statements in my report dated November 15, 2017. In my opinion, the summarized comparative information presented herein, as of, and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 20, 2018



Salvadori Center, Ltd.
Statement of Financial Position
June 30, 2018
(With Summarized Financial Information for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash	\$ 155,885	\$ 89,175
Prepaid expenses	21,311	12,660
Program fees receivable	474,803	476,313
Grants and pledges receivable	56,824	107,200
Total Current Assets	708,823	685,348
Other Assets		
Investments in marketable securities	1,676,209	1,533,594
Property and equipment, net	6,565	-
Security deposit	7,943	7,943
Total Other Assets	1,690,717	1,541,537
Total Assets	\$ 2,399,540	\$ 2,226,885
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 90,092	\$ 77,650
Liability for accrued vacation	14,841	13,670
Total Current Liabilities	104,933	91,320
Net Assets		
Unrestricted	2,294,607	2,135,565
Total Net Assets	2,294,607	2,135,565
Total Liabilities and Net Assets	\$ 2,399,540	\$ 2,226,885

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

Salvadori Center, Ltd.
Statement of Activities
For the Year Ended June 30, 2018
(With Summarized Financial Information for 2017)

	Unrestricted <u>2018</u>	Unrestricted <u>2017</u>
Support and Revenue		
Contributions	\$ 566,599	\$ 560,617
Less: Direct costs of special events	(63,502)	(58,961)
	<u>503,097</u>	<u>501,656</u>
Grants	632,670	551,340
Program service fees	633,566	600,738
Investment income	38,512	35,893
Realized gain on marketable securities	202,616	63,981
Unrealized gain (loss) on marketable securities	(117,769)	3,125
Sales of books and materials	5,194	3,185
	<u>1,394,789</u>	<u>1,258,262</u>
 Total Support and Revenue	 <u>1,897,886</u>	 <u>1,759,918</u>
Expenses		
Program services:		
Educational activities	1,440,594	1,341,734
Supporting services:		
General and administrative	249,117	237,418
Fund-raising	49,133	41,145
Total Supporting Services	<u>298,250</u>	<u>278,563</u>
Total Expenses	<u>1,738,844</u>	<u>1,620,297</u>
Change in Net Assets	159,042	139,621
Beginning Net Assets	2,135,565	1,995,944
Ending Net Assets	<u>\$ 2,294,607</u>	<u>\$ 2,135,565</u>

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

Salvadori Center, Ltd.
Statement of Functional Expenses
Year Ended June 30, 2018
(With Summarized Financial Information for 2017)

	Supporting Services			
Program Services	Educational Activities	General and Administrative	Fund-raising	Direct Costs of Special Events
	2018	2018	2018	2018
Salaries and wages	\$ 887,653	\$ 149,725	\$ 32,084	\$ -
Employee benefits	121,083	20,424	4,376	-
Payroll taxes	65,517	11,051	2,368	-
Occupancy - including moving expenses	82,291	13,880	2,975	-
Supplies, software and other	71,573	13,435	2,879	-
Consulting and professional fees	61,250	10,331	2,214	-
Catering, room, equipment and music	-	-	-	63,502
Outreach, public information and advertising	54,671	-	-	-
Travel and meetings	36,897	-	-	-
Insurance	23,012	3,882	831	-
Investment fees	-	12,439	-	-
Postage and delivery	12,774	2,155	461	-
Telephone and internet expenses	11,445	1,930	414	-
Printing and reproduction	10,116	1,706	366	-
Bank charges and credit card fees	-	7,995	-	-
Depreciation expense	1,312	164	165	-
Scholarships	1,000	-	-	1,641
	<u>1,440,594</u>	<u>249,117</u>	<u>49,133</u>	<u>63,502</u>
				<u>1,802,346</u>
				<u>1,679,258</u>
Less: Direct costs of special events deducted from income on Statement on Activities	-	-	-	(63,502)
Total Expenses	<u>\$ 1,440,594</u>	<u>\$ 249,117</u>	<u>\$ 49,133</u>	<u>\$ 1,738,844</u>
				<u>\$ 1,620,297</u>

Less: Direct costs of special events deducted from income on Statement on Activities

Total Expenses

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, 2018
(With Summarized Financial Information for 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 159,042	\$ 139,621
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,641	-
Unrealized (gain) and loss on marketable securities	117,769	(3,125)
(Increase) decrease in operating assets:		
Prepaid expenses	(8,651)	(1,477)
Program fees receivable	1,510	(200,118)
Grants and pledges receivable	50,376	(30,340)
Security deposit	-	(3,223)
Increase in operating liabilities:		
Accounts payable and accrued expenses	12,442	42,846
Liability for accrued vacation	1,171	2,721
Net cash provided by (used in) operating activities	335,300	(53,095)
Cash Flows from Investing Activities		
Purchases of of marketable securities	(260,384)	(55,495)
Purchase of property and equipment	(8,206)	-
Net cash used in investing activities	(268,590)	(55,495)
Increase (Decrease) in Cash	66,710	(108,590)
Beginning Cash	89,175	197,765
Ending Cash	\$ 155,885	\$ 89,175

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

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2018

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, 2018, 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, 2018, there were no permanently restricted net assets.

See independent auditor's report.

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2018

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, 2018

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, 2018, the allowance for doubtful accounts was \$0.

All of the Organization's grants, program fees, and pledges receivable on June 30, 2018 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, 2018

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.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$54,671. They are included in Outreach, public information and advertising in the statement of functional expenses.

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 November 20, 2018, 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 \$37,950 to the plan during the year ended June 30, 2018.

Note 3 – Commitments

In June, 2017, 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, 2018, were agreed upon in the amount of \$8,142 per month. Rent payments for calendar year 2019 have not yet been decided.

Rent expense for the year ended June 30, 2018, amounted to \$98,355 and is included in occupancy on the statement of functional expenses.

See independent auditor's report.

Salvadori Center, Ltd.
Notes to Financial Statements
June 30, 2018

Note 4 - Property and Equipment

Property and equipment consisted of:

Computer equipment	\$ 8,206
Less: accumulated depreciation	<u>(1,641)</u>
Property and equipment, net	<u>\$ 6,565</u>

Depreciation expense was \$1,641 for the year ended June 30, 2018.

Note 5 – 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, 2018, 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>
Equity Linked Certificate	\$ 48,386	\$ -	\$ -	\$ 48,386
US Treasury Securities	109,495	-	-	109,495
Fixed Income - FNMA and FHL	157,820	-	-	157,820
Corporate Bonds	149,102	-	-	149,102
Equities, Predominantly US	96,144	-	-	96,144
Debt and Equity Mutual Funds	664,776	-	-	664,776
Exchange Traded Funds	450,486	-	-	450,486
Total	<u>\$1,676,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,676,209</u>

See independent auditor's report.