

IMPRESSION 5 SCIENCE CENTER
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

CONTENTS

	<u>Page</u>
Independent auditor's report	3 - 4
Financial statements:	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 15

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Impression 5 Science Center

Report on the Financial Statements

We have audited the accompanying financial statements of Impression 5 Science Center (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also involves evaluating the appropriateness of accounting principles used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Impression 5 Science Center as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Manes Costeiran PC

April 12, 2018

**IMPRESSION 5 SCIENCE CENTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash	\$ 91,142	\$ 134,750
Accounts receivable	9,046	31,064
Contributions receivable, current portion	90,775	128,299
Inventory	53,245	42,863
Prepaid expenses	19,895	15,976
TOTAL CURRENT ASSETS	264,103	352,952
CONTRIBUTIONS RECEIVABLE, net of current portion	105,000	96,440
PROPERTY AND EQUIPMENT, less		
accumulated depreciation	3,279,643	3,041,775
TOTAL ASSETS	\$ 3,648,746	\$ 3,491,167
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 134,713	\$ 223,282
Accrued payroll and related items	31,035	33,078
Deferred membership revenue	110,542	105,805
Other deferred revenue	24,794	28,070
Line of credit	176,279	20,846
Current portion of long-term debt	110,088	7,817
TOTAL CURRENT LIABILITIES	587,451	418,898
LONG-TERM DEBT, less current portion	-	110,088
TOTAL LIABILITIES	587,451	528,986
NET ASSETS:		
Unrestricted	2,711,271	2,624,579
Temporarily restricted	350,024	337,602
TOTAL NET ASSETS	3,061,295	2,962,181
TOTAL LIABILITIES AND NET ASSETS	\$ 3,648,746	\$ 3,491,167

See notes to financial statements.

IMPRESSION 5 SCIENCE CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
REVENUE:						
Contributions	\$ 67,964	\$ 315,295	\$ 383,259	\$ 59,835	\$ 548,750	\$ 608,585
In-kind contributions	-	-	-	7,530	-	7,530
Memberships	249,794	-	249,794	192,563	-	192,563
Sale of merchandise, less direct expenses of \$68,160 and \$73,244 in 2017 and 2016, respectively	131,777	-	131,777	96,062	-	96,062
Admissions	422,638	-	422,638	376,152	-	376,152
Program fees	325,774	-	325,774	299,244	-	299,244
Marketing event income	264,288	-	264,288	223,108	-	223,108
Other income	7,990	-	7,990	6,672	-	6,672
Net assets released from restrictions	302,873	(302,873)	-	904,924	(904,924)	-
TOTAL SUPPORT AND REVENUE	1,773,098	12,422	1,785,520	2,166,090	(356,174)	1,809,916
EXPENSES:						
Program services:						
Exhibits	449,595	-	449,595	468,965	-	468,965
Education	920,947	-	920,947	823,964	-	823,964
Total program services	1,370,542	-	1,370,542	1,292,929	-	1,292,929
Supporting services:						
Management and general	154,305	-	154,305	139,283	-	139,283
Fundraising	161,559	-	161,559	247,792	-	247,792
Total supporting services	315,864	-	315,864	387,075	-	387,075
TOTAL EXPENSES	1,686,406	-	1,686,406	1,680,004	-	1,680,004
CHANGE IN NET ASSETS	86,692	12,422	99,114	486,086	(356,174)	129,912
NET ASSETS, at beginning of year	2,624,579	337,602	2,962,181	2,138,493	693,776	2,832,269
NET ASSETS, at end of year	\$ 2,711,271	\$ 350,024	\$ 3,061,295	\$ 2,624,579	\$ 337,602	\$ 2,962,181

See notes to financial statements.

**IMPRESSION 5 SCIENCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017**

	Program Services			Support Services			
	Exhibits	Education	Total	Management and general	Fundraising	Total	Total
Salaries and wages	\$ 54,756	\$ 509,475	\$ 564,231	\$ 89,412	\$ 61,688	\$ 151,100	\$ 715,331
Payroll taxes	15,684	43,487	59,171	4,990	7,129	12,119	71,290
Employee benefits	15,718	43,583	59,301	5,001	7,145	12,146	71,447
Accounting and legal	-	-	-	14,514	-	14,514	14,514
Contract services	58	535	593	18	9,319	9,337	9,930
Supplies	23,604	66,105	89,709	451	33,840	34,291	124,000
Postage and shipping	-	4,466	4,466	1,914	6,379	8,293	12,759
Occupancy	68,834	73,251	142,085	554	4,331	4,885	146,970
Equipment rental and maintenance	98,321	62,571	160,892	7,181	10,257	17,438	178,330
Interest and finance charges	3,269	9,063	12,332	29,191	-	29,191	41,523
Advertising	15,103	50,886	65,989	-	14,007	14,007	79,996
Board and staff development	4,154	3,954	8,108	379	3,390	3,769	11,877
Depreciation	148,092	50,037	198,129	515	1,879	2,394	200,523
Miscellaneous	2,002	3,534	5,536	185	2,195	2,380	7,916
Total expenses	\$ 449,595	\$ 920,947	\$ 1,370,542	\$ 154,305	\$ 161,559	\$ 315,864	\$ 1,686,406

See notes to financial statements.

**IMPRESSION 5 SCIENCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016**

	Program Services			Support Services			Total
	Exhibits	Education	Total	Management and general	Fundraising	Total	
Salaries and wages	\$ 65,542	\$ 473,738	\$ 539,280	\$ 85,349	\$ 53,082	\$ 138,431	\$ 677,711
Payroll taxes	18,773	39,633	58,406	4,172	6,954	11,126	69,532
Employee benefits	20,466	43,207	63,673	4,548	7,580	12,128	75,801
Accounting and legal	-	-	-	14,219	-	14,219	14,219
Contract services	165	1,899	2,064	37	9,437	9,474	11,538
Supplies	27,710	61,156	88,866	523	49,526	50,049	138,915
Postage and shipping	-	5,355	5,355	2,295	7,651	9,946	15,301
Occupancy	86,961	93,400	180,361	860	6,515	7,375	187,736
Equipment rental and maintenance	105,114	5,615	110,729	591	985	1,576	112,305
Interest and finance charges	2,286	4,826	7,112	25,894	-	25,894	33,006
Advertising	7,419	30,971	38,390	-	100,589	100,589	138,979
Board and staff development	2,923	6,217	9,140	231	3,009	3,240	12,380
Depreciation	130,437	50,448	180,885	432	1,680	2,112	182,997
Bad debt expense	542	1,145	1,687	120	201	321	2,008
Miscellaneous	627	6,354	6,981	12	583	595	7,576
Total expenses	\$ 468,965	\$ 823,964	\$ 1,292,929	\$ 139,283	\$ 247,792	\$ 387,075	\$ 1,680,004

See notes to financial statements.

**IMPRESSION 5 SCIENCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Change in net assets	\$ 99,114	\$ 129,912
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	200,523	182,997
Bad debt expense	-	2,008
Accounts receivable	22,018	(23,845)
Contributions receivable	28,964	331,339
Inventory	(10,382)	(23,007)
Prepaid expenses	(3,919)	(3,619)
Accounts payable	(88,569)	126,585
Accrued expenses	(2,043)	11,337
Deferred revenue	1,461	10,433
Total adjustments	148,053	614,228
Net cash provided by operating activities	247,167	744,140
Cash flows from investing activities:		
Purchase of property and equipment	(438,391)	(746,211)
Cash flows from financing activities:		
Change in line of credit	155,433	20,846
Payment on long-term debt	(7,817)	(7,489)
Net cash provided by financing activities	147,616	13,357
NET INCREASE (DECREASE) IN CASH	(43,608)	11,286
CASH:		
Beginning of year	134,750	123,464
End of year	\$ 91,142	\$ 134,750
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	\$ 14,857	\$ 8,468

**IMPRESSION 5 SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION, RISKS AND UNCERTAINTIES

Impression 5 Science Center (the Center), a Michigan non-profit organization, was established for the purpose of encouraging individuals and families to use their five senses to explore the expanding realm of science and its applications. The Center receives a substantial amount of its support from government and independent funding sources.

The Center is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Center to concentrations of significant credit risk consist of cash, accounts receivable, and contributions receivable. The Center places its cash with FDIC insured financial institutions. Although such cash balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk. Credit risk with respect to accounts and contributions receivable is limited due to the Center's large number of customers.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Center is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, no tax provision is reflected in the financial statements.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination for the various taxing authorities for a period of 3 to 4 years.

The Center evaluates events and transactions that occur after year-end for potential recognition of disclosure in the financial statements. These subsequent events have been considered through April 12, 2018, which is the date the financial statements were available to be issued.

**IMPRESSION 5 SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation - The financial statements have been prepared on the accrual basis of accounting. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grant funds are generally considered earned as program expenses are incurred. The Center does not have any contributions requiring classification as permanently restricted net assets.

Cash - Cash consists of cash in banks and cash on-hand.

Inventory – Inventory consists of merchandise valued at lower of cost or net realizable value.

Accounts receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Currently, no allowance for doubtful accounts is considered necessary.

Contributions receivable - Contributions receivable are unconditional promises to give, recorded at net realizable value when the pledge is made. The Center considers all contributions receivable at September 30, 2017 and 2016 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and equipment - Property and equipment are carried at cost. Donated property and equipment are recorded at fair market value on the date of receipt. When retired or otherwise disposed of, the carrying value and related accumulated depreciation are cleared from the respective accounts and the net difference less any amount realized from disposition is reflected in the statement of activities. Depreciation on property, equipment, exhibits and displays is calculated using the straight-line method over the estimated useful life of the related asset.

Membership dues - Membership dues are recognized as revenue in the period the related membership benefits and services are provided. Unexpired memberships remaining at year end are classified as deferred membership revenue.

Other deferred revenue - Other deferred revenue consists of amounts received by the Center that will be earned in future periods and primarily consists of deposits for special events and active gift cards.

**IMPRESSION 5 SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Contributions - The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donated materials are reflected as contributions and expensed in the accompanying statements at their estimated value at the date of receipt.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in greater detail in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services based on actual basis, where available, or based on management's estimated use of resources. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Advertising - Advertising costs are expensed as incurred.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at September 30:

	2017	2016
Amounts due in:		
Less than one year	\$ 90,775	\$ 128,299
Long-term:		
1 - 2 years	35,000	36,440
2 - 3 years	35,000	20,000
3 - 4 years	35,000	20,000
4 - 5 years	-	20,000
Total long-term contributions receivable	105,000	96,440
Total contributions receivable	\$ 195,775	\$ 224,739

Contributions receivable greater than one year were not discounted. Management has determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

**IMPRESSION 5 SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	Life (in years)	2017	2016
Land		\$ 104,116	\$ 104,116
Buildings and improvements	20 - 31	2,495,779	2,489,103
Furniture and equipment	4 - 10	154,202	150,462
Exhibits and displays	7 - 15	1,190,986	1,183,092
Construction in progress		954,104	534,023
		4,899,187	4,460,796
Less accumulated depreciation		1,619,544	1,419,021
		<u>\$ 3,279,643</u>	<u>\$ 3,041,775</u>

NOTE 5 - RETIREMENT PLAN

The Center sponsors a SIMPLE-IRA plan for its eligible employees. Employees may elect a compensation deferral not to exceed the amount determined by the IRS annually. The Center will match employee deferrals dollar for dollar up to 3% of their annual compensation. The Center's matching payments totaled \$9,088 and \$7,811 for the years ended September 30, 2017 and 2016, respectively.

NOTE 6 - LINE OF CREDIT

At September 30, 2017, the Center maintains a line of credit in the amount of \$250,000, collateralized by the land and building of the Center. The line of credit requires monthly installments calculated with a variable interest rate using the bank's prime rate plus 0.40%. As of September 30, 2017 and 2016, the Center maintains outstanding balances of \$176,279 and \$20,846, respectively. The line of credit is scheduled to mature June 2023.

**IMPRESSION 5 SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

Long-term debt consist of the following at September 30:

	2017	2016
Notes payable - PNC Bank. The note requires monthly installments of \$1,061 which includes interest at 4.30% per annum. The note is collateralized by all assets of the Center and matures on August 28, 2018.	\$ 110,088	\$ 117,905
Less current portion	(110,088)	(7,817)
	\$ -	\$ 110,088

Interest expense for the year ended September 30, 2017 and 2016 totaled \$14,857 and \$8,468, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

The Center reports grants and contributions as restricted support if they are received with grantor/donor stipulations that limit the use of the funds. Temporarily restricted net assets are available for the following purposes at September 30:

	2017	2016
Program activities:		
Funding the development of exhibits and supporting special projects	\$ 277,819	\$ 205,544
Campaign for growth:		
Funding for facility maintenance and improvements or replacements	72,205	132,058
Total net assets	\$ 350,024	\$ 337,602

**IMPRESSION 5 SCIENCE CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS (Concluded)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following accomplishments occurred during the years ended September 30:

	2017	2016
Program activities:		
Funding the development of exhibits and supporting special projects	\$ 243,020	\$ 358,249
Campaign for growth:		
Funding for facility maintenance and improvements or replacements	59,853	546,675
	\$ 302,873	\$ 904,924