

Impression 5 Science Center

Financial Statements

**September 30, 2022
(With Summarized Comparative
Information for 2021)**



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Impression 5 Science Center
Lansing, Michigan

Opinion

We have audited the accompanying financial statements of Impression 5 Science Center (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Impression 5 Science Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter – Restatement

As discussed in note 1 to the financial statements, the Center discovered a misclassification between with and without donor restriction balances reported as of September 30, 2021. Accordingly these amounts have been restated in the 2022 financial statements now presented. Previously reported change in net assets has not been impacted by this restatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Impression 5 Science Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Impression 5 Science Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Impression 5 Science Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Impression 5 Science Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2023. In our opinion, the summarized comparative information presented herein, with the exception of the restatement discussed in note 2, as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Lansing, Michigan
March 10, 2023

Impression 5 Science Center
Statement of Financial Position
September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

	2022	2021
Assets		
Current assets		
Cash	\$ 887,137	\$ 344,574
Accounts receivable	578	3,700
Current portion of promises to give	25,000	46,260
Inventory	91,146	89,706
Prepaid expenses	6,205	9,677
Total current assets	1,010,066	493,917
Noncurrent assets		
Promises to give, less current portion	75,000	100,000
Beneficial interest in assets held by the Community Foundation	1,385,694	-
Property and equipment, net	3,191,643	3,134,259
Total noncurrent assets	4,577,337	3,134,259
Total assets	\$ 5,662,403	\$ 3,728,176
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 135,491	\$ 125,005
Accrued payroll and related items	17,381	11,762
Deferred membership revenue	86,202	57,777
Other deferred revenue	49,864	36,822
Current portion of notes payable	24,485	228,420
Total current liabilities	313,423	459,786
Notes payable, less current portion	802,755	481,379
Total liabilities	1,116,178	941,165
Net assets		
Without donor restriction	2,922,326	2,272,789
With donor restriction, restated	1,623,899	514,222
Total net assets	4,546,225	2,787,011
Total liabilities and net assets	\$ 5,662,403	\$ 3,728,176

See Accompanying Notes to the Financial Statements

Impression 5 Science Center
Statement of Activities
For the Year Ended September 30, 2022

(With Summarized Comparative Information for the year ended September 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenues				
Contributions	\$ 875,931	\$ 1,500,000	\$ 2,375,931	\$ 748,414
In-kind contributions	1,962	-	1,962	13
Memberships	168,046	-	168,046	99,051
Sale of merchandise, net of direct expenses of \$120,342 and \$40,206 respectively	155,156	-	155,156	54,755
Admissions	413,259	-	413,259	119,000
Program fees	183,875	-	183,875	185,961
Marketing event income	409,849	-	409,849	147,658
Other income	324,861	-	324,861	238,281
Change in beneficial interest	-	(114,306)	(114,306)	-
Unrealized promises to give	-	-	-	(431,250)
Net assets released from restrictions	276,017	(276,017)	-	-
Total revenues	2,808,956	1,109,677	3,918,633	1,161,883
Expenses				
Program services				
Exhibits	927,740	-	927,740	585,579
Education	467,551	-	467,551	872,877
Total program services	1,395,291	-	1,395,291	1,458,456
Supporting services				
Management and general	473,529	-	473,529	133,573
Fundraising	290,599	-	290,599	63,327
Total supporting services	764,128	-	764,128	196,900
Total expenses	2,159,419	-	2,159,419	1,655,356
Change in net assets	649,537	1,109,677	1,759,214	(493,473)
Net assets, beginning of year, restated	2,272,789	514,222	2,787,011	3,280,484
Net assets, end of year	\$ 2,922,326	\$ 1,623,899	\$ 4,546,225	\$ 2,787,011

See Accompanying Notes to the Financial Statements

Impression 5 Science Center
Statement of Functional Expenses
For the Year Ended September 30, 2022

(With Summarized Comparative Information for the year ended September 30, 2021)

	Program Services			Support Services			Totals	
	Exhibits	Education	Total	Management and General	Fundraising	Total	2022	2021
Salaries and wages	\$ 371,437	\$ 292,806	\$ 664,243	\$ 80,918	\$ 149,522	\$ 230,440	\$ 894,683	\$ 636,299
Payroll taxes	30,197	21,888	52,085	7,815	11,910	19,725	71,810	49,879
Employee benefits	-	-	-	72,388	-	72,388	72,388	94,425
Accounting and legal	-	-	-	84,373	-	84,373	84,373	26,793
Contract services	38,443	25,012	63,455	119,793	17,027	136,820	200,275	200,668
Supplies	17,906	70,965	88,871	11,515	76,621	88,136	177,007	81,891
Cost of goods sold	-	120,342	120,342	-	-	-	120,342	40,206
Postage and shipping	1,875	1,752	3,627	372	784	1,156	4,783	3,435
Occupancy	53,843	48,280	102,123	454	453	907	103,030	97,406
Equipment rental and maintenance	15,957	579	16,536	31,128	-	31,128	47,664	21,561
Traveling exhibit rental	120,225	-	120,225	-	-	-	120,225	80,650
Interest and finance charges	-	-	-	53,626	-	53,626	53,626	39,189
Advertising	30,011	5,686	35,697	1,029	6,605	7,634	43,331	36,109
Board and staff development	305	77	382	5,374	996	6,370	6,752	13,776
Depreciation	247,541	-	247,541	-	-	-	247,541	246,198
Miscellaneous	-	506	506	4,744	26,681	31,425	31,931	27,077
Total expenses by function	927,740	587,893	1,515,633	473,529	290,599	764,128	2,279,761	1,695,562
Less expenses included in revenues in the statement of activities:								
Cost of goods sold	-	(120,342)	(120,342)	-	-	-	(120,342)	(40,206)
Total expenses included in the statement of activities	\$ 927,740	\$ 467,551	\$ 1,395,291	\$ 473,529	\$ 290,599	\$ 764,128	\$ 2,159,419	\$ 1,655,356

See Accompanying Notes to the Financial Statements

Impression 5 Science Center

Statement of Cash Flows

For the Year Ended September 30, 2022

(With Summarized Comparative Information for the year ended September 30, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 1,759,214	\$ (493,473)
Items not requiring cash		
Depreciation	247,541	246,198
Bad debt	-	18,709
Unrealized promises to give	-	431,250
Change in beneficial interest in asset held by Community Foundation	114,306	-
Contributions restricted for long-term purpose	(1,500,000)	-
Forgiveness of PPP loan	(213,296)	(162,500)
Changes in operating assets and liabilities		
Accounts receivable	3,122	(2,781)
Promises to give	46,260	82,719
Inventory	(1,440)	17,994
Prepaid expenses	3,472	43,344
Accounts payable	10,487	(36,394)
Accrued payroll and related items	5,619	(12,522)
Deferred membership revenue	28,425	(31,179)
Other deferred revenue	13,042	4,517
Net cash provided by operating activities	516,752	105,882
Cash flows from investing activities		
Additions to beneficial interest in assets held by Community Foundation	(1,500,000)	-
Purchase of property and equipment	(304,926)	(100,592)
Net cash used by investing activities	(1,804,926)	(100,592)
Cash flows from financing activities		
Proceeds from contribution for endowment	1,500,000	-
Proceeds from notes payable	350,000	213,296
Payments on notes payable	(19,263)	(11,011)
Net cash provided by operating activities	1,830,737	202,285
Net change in cash	542,563	207,575
Cash - beginning of year	344,574	136,999
Cash - end of year	\$ 887,137	\$ 344,574
Supplementary information		
Cash paid for interest	\$ 22,653	\$ 20,716

See Accompanying Notes to the Financial Statements

Impression 5 Science Center

Notes to the Financial Statements

September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Note 1 - Organization

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 encourages scientific exploration with hands on exhibits and programming. The Center receives a substantial amount of its support from government and independent funding sources.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, beneficial interest in assets held by the Community Foundation.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Comparative Financial Information

The financial information for the year ended September 30, 2021, is presented for comparative purposes is not intended to be a complete financial statement presentation.

Cash

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

Accounts Receivable

Accounts receivable represent consideration from third parties, of which the Center has an unconditional right to receive. Accounts receivables are stated at the amount management expects to collect from outstanding balances. 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. Currently, no allowance for doubtful accounts is considered necessary. Changes to the valuation allowance have not been material to the financial statements.

Promises to Give

Unconditional promises to give are recorded at net realizable value when the promise is made and requires the Center to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Promises to give greater than one year are not discounted as the amount is considered insignificant to the net assets of the Center. The Center considers all promises to give at September 30, 2022 and 2021 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Impression 5 Science Center

Notes to the Financial Statements

September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Inventory

Inventories consist of merchandise for resale and are stated at the lower of cost or net realizable value.

Property and Equipment

The Center follows the practice of capitalizing all expenditures in excess of \$1,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Center evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Deferred Revenue

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

Paycheck Protection Program (PPP) Loan

The Center accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 *Debt*.

Employee Retention Credit

The Center accounts for the Employee Retention Credit as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. This has been reflected in other income on the statement of activities.

Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received are recorded as without donor restriction or with donor restriction support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support that has not expired as of the end of the year is reported as an increase in net assets with donor restriction, depending on the nature of the restriction.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in greater detail in the statement 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.

Impression 5 Science Center

Notes to the Financial Statements

September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Income Tax Status

The Center is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation, as described in Section 509(a). The Center files information returns in the U.S. Federal and Michigan jurisdiction.

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 three to four years.

Risks and Uncertainties

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. At September 30, 2022, the Center's bank balances exceeded FDIC limits by \$63,976.

Credit risk with respect to accounts and contributions receivable is limited due to the Center's large number of customers.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restatement

The Center discovered that its 2021 financial statements did not report the outstanding balance of a promise to give as with donor restrictions. Therefore, the Center has restated its 2021 financial statements (including footnotes 3, 4 and 9) to reflect this adjustment. The impact of this change on the 2021 financial statements is as follows:

	As previously reported	As restated
Current portion of promises to give	\$ 146,260	\$ 46,260
Promises to give, less current portion	-	100,000
Net assets without donor restriction	2,372,789	2,272,789
Net assets with donor restriction	414,222	514,222

Subsequent Event

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed before or after the financial statement date, may require disclosure in the accompanying notes or recognition in the financial statements. Management evaluated the activity of the entity through March 10, 2023, (the date the financial statements were available to be issued) and concluded that other than the event disclosed in Note 13 no other subsequent events have occurred that would require disclosure in the notes to the financial statements.

Impression 5 Science Center
Notes to the Financial Statements
September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Note 3 - Liquidity and Availability

The Center regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing program service activities as well as conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Center's financial assets as of September 30, 2022 and 2021, which are deemed available for general expenditures within one year of the date of the statement of financial position. Amounts not available include donor restricted net assets.

	2022	2021
Cash	\$ 887,137	\$ 344,574
Accounts receivable	578	3,700
Promises to give	25,000	46,260
 Total financial assets at year-end	 912,715	 394,534
 Less: donor-restricted net assets related to financial assets at year end	 <u>(163,206)</u>	 <u>(414,222)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 749,509</u>	 <u>\$ (19,688)</u>

The Center procures and capitalizes many expenses that it needs to improve and sustain exhibits and building improvements throughout the year. As such, much of the Center's liquid assets are utilized for capital expenditures. The Center adheres to all commitments related to donor-restricted net assets. In addition to financial assets available to meet general expenditures over the next 12 months, the Center anticipates collecting sufficient revenue to cover general expenditures. The Center also maintains a line of credit available to meet short-term needs.

Note 4 - Promises to Give

Unconditional promises to give that are expected to be collected subsequent to September 30 are as follows:

	2022	2021
Amounts due in:		
Less than one year	\$ 25,000	\$ 46,260
One to five years	75,000	100,000
 Total promises to give	 <u>\$ 100,000</u>	 <u>\$ 146,260</u>

As further discussed in note 9, certain amounts reported as unconditional promises to give in 2020, were not collected during the year ended September 30, 2021.

Impression 5 Science Center
Notes to the Financial Statements
September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Note 5 - Property and Equipment

Property and equipment at September 30 consists of the following:

	Useful Life	2022	2021
Land		\$ 104,116	\$ 104,116
Building and improvements	20 - 31 years	3,427,497	3,360,628
Furniture and equipment	4 - 10 years	238,425	242,069
Exhibits and displays	7 - 15 years	1,823,115	1,907,345
Construction in progress		273,272	73,914
		5,866,425	5,688,072
Less accumulated depreciation		(2,674,782)	(2,553,813)
Property and equipment - net		\$ 3,191,643	\$ 3,134,259
Depreciation expense		\$ 247,541	\$ 246,198

Note 6 - 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 \$13,017 and \$8,947 for the years ended September 30, 2022 and 2021, respectively.

Note 7 - Line of Credit

At September 30, 2022 and 2021, 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, 2022 and 2021, the Center maintains an outstanding balance of \$0, respectively. The line of credit is scheduled to mature June 2023.

Note 8 - Notes Payable

Notes payable consists of the following at September 30, 2022:

An original bank promissory note of \$140,000 issued August 2013 (last amended May 2020) in the amount of \$361,000 with monthly installments of \$2,377 and interest at 4.9%. The note is collateralized by all assets of the Center and matures May 2030.

In May 2020, the Center received an Economic Injury Disaster Loan (EIDL) from the SBA in light of the impact of the COVID-19 pandemic on the Center's operations. The principal amount of the EIDL loan is \$150,000, with proceeds to be used for working capital purposes. The Center amended to increase the EIDL principal amount to \$500,000, in February 2022. Interest on the EIDL loan accrues at the rate of 2.75% per annum and installment payments, including principal and interest, are due at the end of the month at \$2,144. The balance of principal and interest is payable thirty years from the date of the promissory note. In connection with the EIDL loan, the Center executed a security agreement between the SBA and the Center.

Impression 5 Science Center
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for September 30, 2021)

Aggregate maturities of notes payable for the years ended September 30, are as follows:

2023	\$	24,485
2024		25,402
2025		26,446
2026		27,492
2027		28,582
Thereafter		<u>694,833</u>
	<u>\$</u>	<u>827,240</u>

Interest expense for the years ended September 30, 2022 and 2021 totaled \$22,653 and \$20,716, respectively.

In February 2021, the Center received a round two loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$213,296. The principal amount of the loan is subject to forgiveness under the program upon the Center's request to the extent that the loan proceeds are used to pay expenses permitted by the program incurred by the Center.

Final forgiveness was determined by the SBA in February 2022. Accordingly, \$213,296 of gain on extinguishment of debt has been realized in these financial statements and is reflected in other income on the statement of activities.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at Sept 30:

	<u>2022</u>	<u>2021</u>
Program activities		
Funding the development of exhibits and supporting special projects	\$ 114,451	\$ 335,555
Campaign for growth		
Funding for facility maintenance and improvements or replacements	48,755	78,667
Subject to passage of time	75,000	100,000
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	1,500,000	-
Accumulated investment losses	<u>(114,306)</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 1,623,899</u>	<u>\$ 514,222</u>

Impression 5 Science Center
Notes to the Financial Statements
September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended September 30:

	2022	2021
Program activities		
Funding the development of exhibits and supporting special projects	\$ 221,104	\$ 398,731
Campaign for growth		
Funding for facility maintenance and improvements or replacements	29,913	38,638
Expiration of time restrictions	25,000	-
Unrealized promises to give	-	431,250
Total net assets with donor restrictions	\$ 276,017	\$ 868,619

During the year ended September 30, 2021, the Center determined that due to unforeseen circumstances caused by the pandemic unconditional promises to give recognized in 2020 will not be received. As a result, for the years ended September 30, 2022 and 2021 the Center has recognized unrealized promises to give in the amount of \$0 and \$431,250.

Note 10 - Revenue from Contracts with Customers

The following summarizes revenue by type for the years ended September 30:

	2022	2021
Contract revenue recognized over time		
Memberships	\$ 168,046	\$ 99,051
Contract revenue recognized at a point in time		
Sale of merchandise	155,156	54,755
Admissions	413,259	119,000
Program fees	183,875	185,961
	752,290	359,716
Contributions and other revenue		
Contributions	2,375,931	748,414
In-kind contributions	1,962	13
Marketing event income	409,849	147,658
Other revenue	324,861	238,281
Change in beneficial interest	(114,306)	-
Unrealized promises to give	-	(431,250)
	2,998,297	703,116
Total revenues	\$ 3,918,633	\$ 1,161,883

Impression 5 Science Center
Notes to the Financial Statements
September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Membership Revenue

Revenue from contracts with members is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing membership services to its members. Membership fees are recognized as revenue in the period the related membership benefits and services are provided. Most of the performance obligations are considered “stand-ready” performance obligations and are therefore recognized as revenue over the length of the membership (typically one year). Unexpired memberships remaining at year end are classified as deferred membership revenue.

Retail Revenue

The Center generates retail revenues from the sale of gift shop items to customers on premises. Revenue is recognized at the moment control of the item sold is relinquished. Several factors are considered in determining that control transfers to the customer upon sale. These factors include that legal title transfers to the customer, the Center has a present right to payment, and the customer has assumed the risks and rewards of ownership at the time of transfer.

Admissions Revenue

The Center recognizes revenue from visitors’ admissions upon sale or date of service.

Program Revenue

Educational activities and program revenue received is not recognized as revenue until the revenue is earned, which is when the activities or services are provided, and the Center does not believe it is required to provide additional activities or services. As a result, deferred revenue (contract liability) and accounts receivable are recorded for any amount for which the Center has a right to invoice but for which services have not been provided.

The following summarizes contract assets and contract liabilities for the year ended:

	September 30, 2022	September 30, 2021	October 1, 2020
Accounts receivable	\$ 578	\$ 3,700	\$ 26,941
Deferred membership revenue	\$ 86,202	\$ 57,777	\$ 122,520
Other deferred revenue	49,864	36,822	31,599
Total contract liabilities	\$ 136,066	\$ 94,599	\$ 154,119

There were no changes in judgments related to revenue recognition for the years ended September 30, 2022, and 2021.

Impression 5 Science Center
Notes to the Financial Statements
September 30, 2022

(With Summarized Comparative Information for September 30, 2021)

Note 11 - Beneficial Interest in Assets Held by the Community Foundation

The Center's endowment fund is held and managed with the Capital Region Community Foundation ("CRCF"). The CRCF fund was established when the Center made a "reciprocal transfer" of donor restricted funds, whereby it named itself as the beneficiary of the transfer. Variance power was granted to the CRCF, the terms of which include the duty and power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the judgment of the CRCF, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community the Foundation services. Amounts will be distributed to the Center by the CRCF from this endowment fund in accordance with investment and distribution policies adopted by the CRCF. The fair value of the reciprocal transfer, plus any undistributed earnings there on, is included as an asset in the Center's statement of financial position and amounted to \$1,385,694 and \$0 at September 30, 2022 and 2021, respectively.

In addition to the reciprocal transfer made by the Center, third party donors may also make contributions to the fund for the benefit of the Center. The CRCF has explicit variance power over any third-party gifts and earnings thereon. As a result, the income and principal balance related to the third-party gift portion of the fund are not reflected in the Center's financial statements unless and until distributed. The fair value of these third-party contributions held for the benefit of the Center, but not recorded on the statement of financial position, was approximately \$44,163 and \$42,340 as of September 30, 2022 and 2021, respectively. Earnings are available for distribution to the Center for operations at the discretion of the CRCF.

Note 12 – Conditional Promises to Give

The Center has applied for the Employee Retention Credit, which is considered a conditional contribution, and also has received a conditional promise to give related to a local grant from Dart Foundation. Payment of the grant is contingent upon the grantors input and approval of spending the funds for the designated allowable purpose. The conditional contribution related to the Dart Foundation consisted of the following as of September 30, 2022:

Condition / Grant Purpose	Total Contract / Grant Amount	Spent to Date	Conditional Contribution
Dart Foundation Endowment and Securing Traveling Exhibits Project	<u>\$ 2,250,000</u>	<u>\$ 1,500,000</u>	<u>\$ 750,000</u>

Note 13 - Purchase of Building

Subsequent to year end on October 12, 2022, the Center purchased a building from Michigan Society of Professional Surveyors to expand operations and space for the Center's traveling exhibits. The gross purchase price was \$205,945 and was purchased with cash. The building was placed in service during fiscal year 2023.