

IMPRESSION 5 SCIENCE CENTER
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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

March 13, 2019

**IMPRESSION 5 SCIENCE CENTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	\$ 139,783	\$ 91,142
Accounts receivable	26,089	9,046
Promises to give, current portion	111,050	90,775
Inventory	61,266	53,245
Prepaid expenses	15,619	19,895
TOTAL CURRENT ASSETS	353,807	264,103
PROMISES TO GIVE, net of current portion	101,867	105,000
PROPERTY AND EQUIPMENT, less accumulated depreciation	3,376,771	3,279,643
TOTAL ASSETS	\$ 3,832,445	\$ 3,648,746
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 218,218	\$ 134,713
Accrued payroll and related items	32,420	31,035
Deferred membership revenue	127,528	110,542
Other deferred revenue	27,295	24,794
Line of credit	157,328	176,279
Current portion of long-term debt	8,658	6,862
TOTAL CURRENT LIABILITIES	571,447	484,225
LONG-TERM DEBT, less current portion	94,568	103,226
TOTAL LIABILITIES	666,015	587,451
NET ASSETS:		
Unrestricted	2,778,985	2,711,271
Temporarily restricted	387,445	350,024
TOTAL NET ASSETS	3,166,430	3,061,295
TOTAL LIABILITIES AND NET ASSETS	\$ 3,832,445	\$ 3,648,746

See notes to financial statements.

IMPRESSION 5 SCIENCE CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
REVENUE:						
Contributions	\$ 66,045	\$ 435,992	\$ 502,037	\$ 67,964	\$ 315,295	\$ 383,259
In-kind contributions	992	-	992	-	-	-
Memberships	258,148	-	258,148	249,794	-	249,794
Sale of merchandise, less direct expenses of \$102,853 and \$68,160 in 2018 and 2017, respectively	126,770	-	126,770	131,777	-	131,777
Admissions	476,424	-	476,424	422,638	-	422,638
Program fees	319,112	-	319,112	325,774	-	325,774
Marketing event income	234,947	-	234,947	264,288	-	264,288
Other income	62,454	-	62,454	7,990	-	7,990
Net assets released from restrictions	398,571	(398,571)	-	302,873	(302,873)	-
TOTAL SUPPORT AND REVENUE	1,943,463	37,421	1,980,884	1,773,098	12,422	1,785,520
EXPENSES:						
Program services:						
Exhibits	553,343	-	553,343	449,595	-	449,595
Education	884,646	-	884,646	920,947	-	920,947
Total program services	1,437,989	-	1,437,989	1,370,542	-	1,370,542
Supporting services:						
Management and general	152,016	-	152,016	154,305	-	154,305
Fundraising	285,744	-	285,744	161,559	-	161,559
Total supporting services	437,760	-	437,760	315,864	-	315,864
TOTAL EXPENSES	1,875,749	-	1,875,749	1,686,406	-	1,686,406
CHANGE IN NET ASSETS	67,714	37,421	105,135	86,692	12,422	99,114
NET ASSETS, at beginning of year	2,711,271	350,024	3,061,295	2,624,579	337,602	2,962,181
NET ASSETS, at end of year	\$ 2,778,985	\$ 387,445	\$ 3,166,430	\$ 2,711,271	\$ 350,024	\$ 3,061,295

See notes to financial statements.

**IMPRESSION 5 SCIENCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018**

	Program services			Support services			
	Exhibits	Education	Total	Management and general	Fundraising	Total	Total
Salaries and wages	\$ 172,616	\$ 493,360	\$ 665,976	\$ 82,385	\$ 60,294	\$ 142,679	\$ 808,655
Payroll taxes	14,202	41,254	55,456	6,764	5,410	12,174	67,630
Employee benefits	14,913	43,319	58,232	7,102	5,681	12,783	71,015
Accounting and legal	-	-	-	19,864	-	19,864	19,864
Contract services	126	406	532	60	10,548	10,608	11,140
Supplies	26,934	68,222	95,156	802	107,752	108,554	203,710
Postage and shipping	393	6,450	6,843	495	6,920	7,415	14,258
Occupancy	77,305	70,192	147,497	694	5,364	6,058	153,555
Equipment rental and maintenance	68,140	44,010	112,150	1,889	66,300	68,189	180,339
Interest and finance charges	9,786	9,754	19,540	30,610	-	30,610	50,150
Advertising	11,253	43,046	54,299	77	10,594	10,671	64,970
Board and staff development	4,226	7,179	11,405	446	4,332	4,778	16,183
Depreciation	152,187	53,106	205,293	793	1,564	2,357	207,650
Miscellaneous	1,262	4,348	5,610	35	985	1,020	6,630
Total expenses	<u>\$ 553,343</u>	<u>\$ 884,646</u>	<u>\$ 1,437,989</u>	<u>\$ 152,016</u>	<u>\$ 285,744</u>	<u>\$ 437,760</u>	<u>\$ 1,875,749</u>

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	<u>\$ 449,595</u>	<u>\$ 920,947</u>	<u>\$ 1,370,542</u>	<u>\$ 154,305</u>	<u>\$ 161,559</u>	<u>\$ 315,864</u>	<u>\$ 1,686,406</u>

See notes to financial statements.

**IMPRESSION 5 SCIENCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Change in net assets	\$ 105,135	\$ 99,114
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	207,650	200,523
Accounts receivable	(17,043)	22,018
Promises to give	(17,142)	28,964
Inventory	(8,021)	(10,382)
Prepaid expenses	4,276	(3,919)
Accounts payable	83,505	(88,569)
Accrued expenses	1,385	(2,043)
Deferred revenue	19,487	1,461
Total adjustments	<u>274,097</u>	<u>148,053</u>
Net cash provided by operating activities	<u>379,232</u>	<u>247,167</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(304,778)</u>	<u>(438,391)</u>
Cash flows from financing activities:		
Change in line of credit	(18,951)	155,433
Payment on long-term debt	<u>(6,862)</u>	<u>(7,817)</u>
Net cash provided (used) by financing activities	<u>(25,813)</u>	<u>147,616</u>
NET INCREASE (DECREASE) IN CASH	48,641	(43,608)
CASH:		
Beginning of year	<u>91,142</u>	<u>134,750</u>
End of year	<u>\$ 139,783</u>	<u>\$ 91,142</u>
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	<u>\$ 19,712</u>	<u>\$ 14,857</u>

**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 March 13, 2019, 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.

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, 2018 and 2017 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.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 3 - PROMISES TO GIVE

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

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 111,050	\$ 90,775
Long-term:		
1 - 2 years	59,473	35,000
2 - 3 years	42,394	35,000
3 - 4 years	-	35,000
Total long-term promises to give	<u>101,867</u>	<u>105,000</u>
Total promises to give	<u>\$ 212,917</u>	<u>\$ 195,775</u>

**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)	2018	2017
Land		\$ 104,116	\$ 104,116
Buildings and improvements	20 - 31	3,051,435	2,495,779
Furniture and equipment	4 - 10	211,149	154,202
Exhibits and displays	7 - 15	1,264,002	1,190,986
Construction in progress		573,263	954,104
		5,203,965	4,899,187
Less accumulated depreciation		1,827,194	1,619,544
		<u>\$ 3,376,771</u>	<u>\$ 3,279,643</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 \$9,099 and \$9,088 for the years ended September 30, 2018 and 2017, respectively.

NOTE 6 - LINE OF CREDIT

At September 30, 2018, 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, 2018 and 2017, the Center maintains outstanding balances of \$157,328 and \$176,279, 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:

	2018	2017
Note payable - Original bank promissory note of \$140,000 issued August 2013 with monthly installments of \$1,061 with interest at 4.3% was scheduled to mature August 2018. The note was amended May 2018 and requires monthly installments of \$1,107 which includes interest at 4.6%. The note is collateralized by all assets of the Center and matures May 2028.	\$ 103,226	\$ 110,088
Less current portion	(8,658)	(6,862)
	\$ 94,568	\$ 103,226

Total maturities of long-term debt are as follows:

Year ending September 30,	
2019	\$ 8,658
2020	9,058
2021	9,502
2022	9,955
2023	10,429
Thereafter	55,624
	\$ 103,226

Interest expense for the year ended September 30, 2018 and 2017 totaled \$19,712 and \$14,857, respectively.

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

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:

	<u>2018</u>	<u>2017</u>
Program activities:		
Funding the development of exhibits and supporting special projects	\$ 387,445	\$ 277,819
Campaign for growth:		
Funding for facility maintenance and improvements or replacements	<u>-</u>	<u>72,205</u>
Total net assets	<u>\$ 387,445</u>	<u>\$ 350,024</u>

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:

	<u>2018</u>	<u>2017</u>
Program activities:		
Funding the development of exhibits and supporting special projects	\$ 326,366	\$ 243,020
Campaign for growth:		
Funding for facility maintenance and improvements or replacements	<u>72,205</u>	<u>59,853</u>
	<u>\$ 398,571</u>	<u>\$ 302,873</u>