

**PROJECT EXPLORATION**

**Financial Statements  
as of August 31, 2014  
Together With Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Project Exploration

We have audited the accompanying financial statements of Project Exploration, which comprise the statement of financial position as of August 31, 2014 and 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

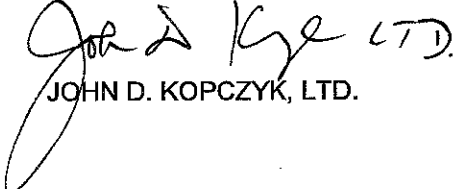
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 misstatements 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 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.

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 aspects, the financial position of Project Exploration as of August 31, 2014 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.

  
JOHN D. KOPCZYK, LTD.

**PROJECT EXPLORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2014**

<b>ASSETS</b>	
Cash – Unrestricted	\$ 70,002
Cash – Restricted	59,523
Accounts Receivable	35,599
Prepaid Expenses	576
Fixed Assets - Net	<u>2,093</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 167,793</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Note Payable	\$ 72,500
Fiscal Agent	9,035
Accounts Payable	<u>36,055</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 117,590</u></b>
<b>NET ASSETS</b>	
<b>UNRESTRICTED NET ASSETS</b>	<b>\$ &lt;9,320&gt;</b>
<b>TEMPORARILY RESTRICTED</b>	<u>59,523</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 50,203</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 167,793</u></b>

The accompanying notes are an integral part of these statements.

**PROJECT EXPLORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Direct Public Support	\$ 138,292	\$ 75,000	\$ 213,292
Government Grants	27,962	0	27,962
Interest	13	0	13
Program Revenue	91,208	0	91,208
Donated Services and Facilities	126,695	0	126,695
Merchandise Sales	523	0	523
Other	3,800	0	3,800
Net Assets Released from Restrictions	<u>50,477</u>	<u>&lt;50,477&gt;</u>	<u>0</u>
<b>TOTAL REVENUES</b>	<u>\$ 438,970</u>	<u>\$ 24,523</u>	<u>\$ 463,493</u>
<b>OPERATING EXPENSES</b>			
Program Services	\$ 427,481	\$ 0	\$ 427,481
Management and General	82,120	0	82,120
Fundraising	<u>48,114</u>	<u>0</u>	<u>48,114</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 557,715</u>	<u>\$ 0</u>	<u>\$ 557,715</u>
<b>OPERATING INCOME &lt;EXPENSE&gt;</b>	<u>\$ &lt;118,745&gt;</u>	<u>\$ 24,523</u>	<u>\$ &lt;94,222&gt;</u>
<b>NON-OPERATING INCOME &lt;EXPENSE&gt;</b>			
Income from Release of Contract Rights	<u>49,978</u>	<u>0</u>	<u>49,978</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ &lt;68,767&gt;</u>	<u>\$ 24,523</u>	<u>\$ &lt;44,244&gt;</u>
<b>NET ASSETS</b>			
Beginning of Year	<u>59,447</u>	<u>35,000</u>	<u>94,447</u>
End of Year	<u>\$ &lt;9,320&gt;</u>	<u>\$ 59,523</u>	<u>\$ 50,203</u>

The accompanying notes are an integral part of these statements.

**PROJECT EXPLORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2014**

	Program <u>Services</u>	Management & <u>General</u>	<u>Fundraising</u>	Grand <u>Total</u>
Compensation and Benefits	\$ 228,346	\$ 31,795	\$ 28,904	\$ 289,045
Consulting	16,112	2,820	1,208	20,140
Travel and Meals	7,826	107	2,787	10,720
Depreciation	2,386	265	0	2,651
Occupancy – Rent	8,000	1,000	1,000	10,000
Program Materials	9,370	1,186	215	10,771
Honorariums	5,200	0	0	5,200
Audit and Legal Fees	124,931	34,695	0	159,626
Printing	119	58	235	412
Telephone	873	173	103	1,149
Insurance	8,800	1,531	2,423	12,754
Promotional Items	536	0	358	894
Photography	1,960	40	0	2,000
Staff Development	542	2,439	2,439	5,420
Computer	3,503	1,802	4,704	10,009
Postage and Delivery	192	56	179	427
Office and General Expense	7,119	4,153	3,559	14,831
Bad Debts	<u>1,666</u>	<u>0</u>	<u>0</u>	<u>1,666</u>
<b>Total Expenses</b>	<b>\$ 427,481</b>	<b>\$ 82,120</b>	<b>\$ 48,114</b>	<b>\$ 557,715</b>

The accompanying notes are an integral part of these statements.

**PROJECT EXPLORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$ <44,244>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	2,651
Accounts Receivable	11,989
Grants Receivable	35,000
Prepaid Expenses	5,721
Accounts Payable	<38,984>
Deferred Revenues	<60,208>
Fiscal Agent	<u>9,035</u>
Net Cash Provided <Used> by Operating Activities	<u>\$ &lt;79,040&gt;</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from Note Payable	\$ 75,000
Note Payable Repayments	<u>&lt;2,500&gt;</u>
Net Cash Provided <Used> by Financing Activities	<u>\$ 72,500</u>
Net Increase <Decrease> in Cash	<u>&lt;6,540&gt;</u>
Cash Balance – Beginning of Year	<u>136,065</u>
Cash Balance – End of Year	<u><u>\$ 129,525</u></u>

The accompanying notes are an integral part of these statements.

# PROJECT EXPLORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. NATURE OF ACTIVITIES

Project Exploration (PE) is a nonprofit science education organization whose mission is to make science and engineering accessible to traditionally overlooked communities – particularly minority youth and girls – through personalized experiences with science and scientists.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations.

#### 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Subsequent Events

The financial statements were available to be issued on November 19, 2014 with subsequent events being evaluated through this date.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**PROJECT EXPLORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status

Project Exploration is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Project Exploration has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income nor unrecognized tax benefits for the year ended August 31, 2014. Each of the Organization's prior three years remains subject to examination by the Internal Revenue Service.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily available for current use. Bank accounts are insured by the FDIC up to \$250,000. At August 31, 2014, the Organization did not have bank accounts whose cash balances exceeded the FDIC insured limit.

Fixed Assets

Project Exploration follows the practice of capitalizing, at cost, all expenditures for fixed assets over \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Office Equipment	5 Years
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**NOTE 3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Innovation Generation Program	\$ 50,000
Youth Development Program	<u>9,523</u>
Total	<u>\$ 59,523</u>

**NOTE 4. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Restricted contributions whose restrictions are met in the same accounting period as that in which they are received are reported as unrestricted support.



**PROJECT EXPLORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. DONATED SERVICES AND FACILITIES**

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. However, these donated services are not reflected in the financial statements because they do not meet the criteria for recognition of such volunteer effort. Donated services, which include legal services, are reflected in the statement of activities at their fair value where they do meet the criteria for recognition. For the year ended August 31, 2014, the value of donated legal services amounted to \$116,348.

Effective September 1, 2013, the Organization entered into a formal lease agreement with the Board of Education of the City of Chicago that expired June 30, 2014. No new agreement has been signed as of August 31, 2014. PE has estimated that the fair market value of donated rent is \$10,000 per year.

**NOTE 6. FIXED ASSETS**

Office Equipment	\$ 17,685
Accumulated Depreciation	<u>&lt;15,592&gt;</u>
Total	<u>\$ 2,093</u>

**NOTE 7. INCOME FROM RELEASE OF CONTRACT RIGHTS**

PE sold certain casts to the Royal Ontario Museum ("ROM") in 2011 and 2012. Per the original sale contract, ROM agreed not to sell the casts for 7 years after installation at ROM and to pay PE \$12,500 per exhibition tour venue if the casts were toured by ROM before December 31, 2016. On March 6, 2014, PE entered into a termination agreement with ROM under which ROM paid PE \$50,000 for (a) the \$12,500 due PE for an exhibit including those casts that opened at another museum on March 1, 2014 and (b) \$37,500 in exchange for PE's consent to ROM's sale of the casts to that other museum and PE's release of its other rights against ROM. The amount PE received was reduced by a \$22 wire transfer fee to net \$49,978.

**PROJECT EXPLORATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. NOTE PAYABLE**

PE signed a note dated September 18, 2013, due to Gerald A. Kolschowsky and Karen A. Kolschowsky, with a principal sum of \$75,000 and no interest. The balance at August 31, 2014 was \$72,500 and is to be repaid as follows:

October 15, 2014 – September 15, 2015	\$ 4,450
October 15, 2015 – September 15, 2016	5,400
October 15, 2016 – September 15, 2017	10,400
October 15, 2017 – September 15, 2018	10,400
October 15, 2018 – September 15, 2019	10,400
Thereafter	<u>31,450</u>
	<u>\$ 72,500</u>