

**The Kentucky Science Center, Inc.**

**Financial Statements**

**Years Ended June 30, 2023 and 2022**

**The Kentucky Science Center, Inc.**  
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## **Independent Auditor's Report on Financial Statements**

To the Board of Directors of  
The Kentucky Science Center, Inc.

### ***Report on the Audit of the Financial Statements***

We have audited the financial statements of The Kentucky Science Center, Inc. ("KSC"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Kentucky Science Center, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Kentucky Science Center, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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 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 The Kentucky Science Center, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

## **Independent Auditor's Report on Financial Statements (Continued)**

### ***Auditor's Responsibility 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 auditor's 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 GAAS 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 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 GAAS, 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 The Kentucky Science Center, Inc.'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 The Kentucky Science Center, Inc.'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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of KSC's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KSC's internal control over financial reporting and compliance.



Louisville, Kentucky  
October 25, 2023

**The Kentucky Science Center, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,882,046	\$ 2,149,638
Accounts receivable	416,204	472,933
Pledges receivable	215,999	328,444
Inventory	54,810	56,655
Prepaid expenses	53,477	54,873
Operating lease right-of-use asset, current	4,112	4,236
	<u>2,626,648</u>	<u>3,066,779</u>
Total current assets	2,626,648	3,066,779
Pledges receivable, net	311,238	394,248
Designated cash	292,590	1,435,541
Property and equipment, net	4,258,260	2,491,372
Investments	743,587	651,215
Operating lease right-of-use asset, non-current	-	3,769
	<u>8,232,323</u>	<u>8,042,924</u>
Total assets	<u>\$ 8,232,323</u>	<u>\$ 8,042,924</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 209,190	\$ 237,045
Accrued payroll and withholdings	340,703	353,280
Unearned revenue	816,461	605,443
Current portion of operating lease liability	4,112	4,236
	<u>1,370,466</u>	<u>1,200,004</u>
Total current liabilities	1,370,466	1,200,004
Non current liabilities		
Operating lease liability, less current portion	-	3,769
	<u>1,370,466</u>	<u>1,203,773</u>
Total liabilities	1,370,466	1,203,773
Net assets		
Without donor restrictions		
Invested in property and equipment	4,258,260	2,491,372
Undesignated	1,583,027	1,527,611
Board designated	94,144	101,457
	<u>5,935,431</u>	<u>4,120,440</u>
Total without donor restrictions	5,935,431	4,120,440
With donor restrictions	926,426	2,718,711
	<u>6,861,857</u>	<u>6,839,151</u>
Total net assets	6,861,857	6,839,151
Total liabilities and net assets	<u>\$ 8,232,323</u>	<u>\$ 8,042,924</u>

See accompanying notes.

**The Kentucky Science Center, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2023 and 2022**

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Earned revenues						
Admissions	\$ 1,234,903	\$ -	\$ 1,234,903	\$ 1,045,745	\$ -	\$ 1,045,745
Memberships	806,161	-	806,161	575,947	-	575,947
Onsite camps	481,913	-	481,913	391,473	-	391,473
School field trips	267,063	-	267,063	105,075	-	105,075
Education programs	348,415	-	348,415	204,904	-	204,904
ThunderBlast	107,631	-	107,631	109,120	-	109,120
Gift shop	264,987	-	264,987	273,387	-	273,387
Rentals	246,175	-	246,175	200,847	-	200,847
Parking	441,709	-	441,709	334,532	-	334,532
Interest and investment income	70,359	6,934	77,293	1,673	3,465	5,138
Other income	27,852	-	27,852	12,851	-	12,851
Net unrealized and realized gain (loss) on investments	2,032	78,239	80,271	(3,876)	(148,739)	(152,615)
Total earned revenues	4,299,200	85,173	4,384,373	3,251,678	(145,274)	3,106,404
Support						
Contributions	125,761	550,079	675,840	125,643	1,769,763	1,895,406
In-kind contributions	10,470	-	10,470	-	-	-
Shuttered Venue Operators Grant	-	-	-	102,801	-	102,801
Grant - PPP loan forgiveness	-	-	-	1,156,625	-	1,156,625
Grant - Employee Retention Credit	-	-	-	263,081	-	263,081
Fundraising event - net	79,499	-	79,499	33,900	-	33,900
State and City government	1,662,500	-	1,662,500	862,500	750,000	1,612,500
Total support	1,878,230	550,079	2,428,309	2,544,550	2,519,763	5,064,313
Net assets released from restrictions						
Satisfaction of program restrictions	410,099	(410,099)	-	694,772	(694,772)	-
Satisfaction of property restrictions	2,017,438	(2,017,438)	-	328,720	(328,720)	-
Total earned revenues, support and releases from restrictions	8,604,967	(1,792,285)	6,812,682	6,819,720	1,350,997	8,170,717
Expenses and losses						
Program services	5,369,887	-	5,369,887	4,719,496	-	4,719,496
Management general and administrative	896,863	-	896,863	814,148	-	814,148
Fundraising	523,226	-	523,226	390,641	-	390,641
Total expenses	6,789,976	-	6,789,976	5,924,285	-	5,924,285
Loss on the disposal of property and equipment	-	-	-	916	-	916
Total expenses and losses	6,789,976	-	6,789,976	5,925,201	-	5,925,201
Changes in net assets	1,814,991	(1,792,285)	22,706	894,519	1,350,997	2,245,516
Net assets at beginning of year	4,120,440	2,718,711	6,839,151	3,225,921	1,367,714	4,593,635
Net assets at end of year	<u>\$ 5,935,431</u>	<u>\$ 926,426</u>	<u>\$ 6,861,857</u>	<u>\$ 4,120,440</u>	<u>\$ 2,718,711</u>	<u>\$ 6,839,151</u>

See accompanying notes.

**The Kentucky Science Center, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	Programs	Management general and administrative	Fundraising	Total expenses
Expenses				
Advertising	\$ 242,197	\$ -	\$ -	\$ 242,197
Conferences and meetings	-	11,986	-	11,986
Depreciation	635,946	58,136	-	694,082
Educational supplies	148,639	-	-	148,639
Employee benefits and taxes	423,508	71,636	68,061	563,205
Event	-	-	75,023	75,023
Facilities rental	188,423	-	-	188,423
Gift shop	117,231	-	-	117,231
Insurance	6,789	35,169	-	41,958
Miscellaneous	24,114	30,935	19,408	74,457
Office and technology expenses	92,331	125,536	38,649	256,516
Professional service and other fees	394,598	105,736	12,832	513,166
Repairs and maintenance	376,137	-	-	376,137
Salaries and wages	2,444,863	406,824	384,194	3,235,881
Theater film fees	74,765	-	-	74,765
Travel	26,865	1,275	82	28,222
Utilities	173,481	49,630	-	223,111
	5,369,887	896,863	598,249	6,864,999
Less: fundraising event expense included in revenue	-	-	(75,023)	(75,023)
Total expenses	\$ 5,369,887	\$ 896,863	\$ 523,226	\$ 6,789,976

See accompanying notes.

**The Kentucky Science Center, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Programs	Management general and administrative	Fundraising	Total expenses
Expenses				
Advertising	\$ 236,106	\$ -	\$ -	\$ 236,106
Conferences and meetings	-	12,989	-	12,989
Depreciation	543,406	64,030	-	607,436
Educational supplies	191,487	-	-	191,487
Employee benefits and taxes	363,135	60,597	46,477	470,209
Event	-	-	107,760	107,760
Facilities rental	126,695	-	-	126,695
Gift shop	142,875	-	-	142,875
Insurance	6,654	30,485	-	37,139
Interest expense	9,252	-	-	9,252
Miscellaneous	18,425	26,143	4,964	49,532
Office and technology expenses	72,609	99,273	27,729	199,611
Professional service and other fees	385,121	134,717	28,109	547,947
Repairs and maintenance	212,986	-	-	212,986
Salaries and wages	2,128,890	350,324	283,258	2,762,472
Theater film fees	53,431	-	-	53,431
Travel	22,584	98	104	22,786
Utilities	205,840	35,492	-	241,332
	4,719,496	814,148	498,401	6,032,045
Less: fundraising event expense included in revenue	-	-	(107,760)	(107,760)
Total expenses	<u>\$ 4,719,496</u>	<u>\$ 814,148</u>	<u>\$ 390,641</u>	<u>\$ 5,924,285</u>

See accompanying notes.



**The Kentucky Science Center, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ 22,706	\$ 2,245,516
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	694,082	607,436
Loss on disposal of property and equipment	-	916
Net realized and unrealized (gain) loss on investments	(80,271)	152,615
Contributions restricted for long-term purposes	(229,768)	(1,692,211)
PPP loan forgiveness	-	(1,156,625)
Changes in		
Accounts receivable	56,729	421,556
Pledges receivable, net	36,901	(57,281)
Shuttered Venue Operators Grant receivable	-	1,026,426
Inventory	1,845	(35,072)
Prepaid expenses	1,396	1,916
Accounts payable and accrued expenses	(94,364)	77,145
Accrued payroll and withholdings	(12,577)	38,314
Unearned revenue	<u>211,018</u>	<u>44,559</u>
Net cash provided by operating activities	607,697	1,675,210
Cash flows from investing activities		
Purchases of property and equipment	(2,394,461)	(349,694)
Purchases of investments	(167,922)	(23,483)
Sales of investments	<u>155,821</u>	<u>14,932</u>
Net cash used by investing activities	(2,406,562)	(358,245)
Cash flows from financing activities		
Payments on note payable	-	(150,000)
Proceeds from contributions restricted for long-term purposes	<u>388,322</u>	<u>1,224,258</u>
Net cash provided by financing activities	<u>388,322</u>	<u>1,074,258</u>
(Decrease) increase in cash and cash equivalents	(1,410,543)	2,391,223
Cash, cash equivalents, and designated cash at beginning of year	<u>3,585,179</u>	<u>1,193,956</u>
Cash, cash equivalents, and designated cash end of year	<u><u>\$ 2,174,636</u></u>	<u><u>\$ 3,585,179</u></u>

See accompanying notes.

**The Kentucky Science Center, Inc.**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Supplemental disclosures		
Fixed assets in accounts payable	\$ 74,977	\$ 8,468
Cash paid for interest	-	7,877
Statements of financial position and statements of cash flow		
Cash and cash equivalent, and designated cash reconciliation		
Cash and cash equivalents	\$ 1,882,046	\$ 2,149,638
Designated cash	<u>292,590</u>	<u>1,435,541</u>
Total cash, cash equivalents, and designated cash	<u><u>\$ 2,174,636</u></u>	<u><u>\$ 3,585,179</u></u>

See accompanying notes.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements**  
**Years Ended June 30, 2023 and 2022**

**Note A - Nature of Organization and Operations**

The Kentucky Science Center, Inc. ("KSC") is a not-for-profit organization encouraging people of all ages to enjoy science, mathematics and technology in a stimulating and engaging environment that is educational as well as entertaining. KSC aims to be a 21st century leader in informal science education, serving a growing regional audience of families, teachers, and students with innovative programs, exhibits and films.

KSC operates as a component unit of the Louisville Metro Government.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The financial statements of KSC are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.
2. Use of Estimates: The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
3. Subsequent Events: Subsequent events for KSC have been considered through the date of the Independent Auditor's Report, which represents the date that the financial statements were available to be issued.
4. Donor-imposed Restrictions: KSC records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. KSC reports information regarding its financial position and activities according to the following net asset classifications:
  - *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of KSC's management and the board of directors.
  - *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of KSC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

5. Cash and Cash Equivalents: KSC considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents except such instruments purchased with long-term investment assets which are reported as investments. KSC typically maintains balances with its banks in excess of federally insured limits.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note B - Summary of Significant Accounting Policies (Continued)**

6. Accounts Receivable: Accounts receivable primarily consists of amounts due from schools and other organizations for admissions, memberships, or venue rentals. Accounts receivable at June 30, 2023 includes \$250,000 from the State Fiscal Recovery Fund of the American Rescue Plan. Accounts receivable at June 30, 2022 includes approximately \$280,000 related to the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Credit is based on creditworthiness and amounts are not secured. KSC provides an allowance for doubtful accounts which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables are written off when, in management's estimation, it is probable that the receivable is worthless. No allowance for uncollectible accounts has been included as of June 30, 2023 and 2022 as management considers all amounts collectible.
7. Pledges Receivable: KSC receives contributions primarily from individuals, grantors, city government or corporations in the community. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. No allowance for uncollectible pledges has been included as of June 30, 2023 and 2022 as management considers all amounts collectible. Conditional promises to give are not included as support until the conditions are substantially met.
8. Inventories: Inventories consist of items for sale through the gift shop and are stated at the lower of cost (first-in, first-out basis) or net realizable value.
9. Designated Cash: Designated cash consists of amounts restricted or designated for expenditures related to future capital projects and professional development activities.
10. Property and Equipment: Property and equipment are recorded at cost at date of acquisition or fair value at date of donation. It is KSC's policy to capitalize purchases of property and equipment over \$5,000. Lesser amounts are expensed. Depreciation expense is provided using the straight-line method over the assets estimated useful lives of 5 to 20 years for leasehold improvements, 3 to 10 years for furniture and equipment, 3 to 10 years for exhibits, and 5 to 40 years for theater assets.
11. Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net unrealized and realized gains or losses are reflected in the statements of activities and changes in net assets.
12. Board Designated Net Assets Without Donor Restrictions: Board designated net assets without donor restrictions represent amounts designated for infrastructure improvements and professional development activities as determined by the Board.
13. Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present expenses by function and natural classification. Accordingly, certain costs have been allocated among program and supporting services benefited.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note B - Summary of Significant Accounting Policies (Continued)**

13. Functional Allocation of Expenses (Continued): The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited based on management's time and service estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of KSC. The expenses that are allocated include salaries and wages, depreciation, facilities, and technology expense, which are allocated on the basis of estimates of time and effort.

14. Revenue Recognition: KSC's earned revenue sources primarily consist of admission fees, membership dues, camps and education programs, gift shop sales and parking, all of which are paid in full at the time of purchase. At June 30, 2023 and 2022, membership dues revenue of \$469,482 and \$345,540, respectively, has been deferred, which would otherwise have been recognized according to legacy GAAP.

KSC recognizes revenue from admission fees, camps and education programs, gift shop sales and parking when the performance obligation is satisfied which typically occurs at the point of sale. Membership dues, which are nonrefundable, are comprised 100% of an exchange element based on the value of benefits provided. KSC recognizes the exchange portion of memberships due over the membership period. The exchange portion of membership dues includes immediate benefits such as KSC admission, discounted parking, movies, birthday parties and camps, gift shop discounts, special event pricing and free admission to more than 350 museums and science centers.

Deferred revenue reflected on the statements of financial position consist of dues to be recognized over the remaining term of the membership as well as advanced ticket sales and program registrations (see Note O).

KSC recognizes contributions when cash, securities or other assets, or an unconditional promise to give, is received.

15. Income Tax Status: KSC has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes have been provided in the accompanying financial statements.

KSC recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

16. Advertising Costs: Advertising costs are expensed as incurred. Advertising costs amounted to \$242,197 and \$236,106 for the years ended June 30, 2023 and 2022, respectively.

17. Recent Accounting Pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities and changes in net assets will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for KSC's year ending June 30, 2024. KSC is currently in the process of evaluating the impact of ASU 2016-13 on the financial statements.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note C - Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Year ended June 30, 2023	Year ended June 30, 2022
Total assets at year-end	\$ 8,232,323	\$ 8,042,924
Less		
Non-endowment contributions with donor restrictions	(200,358)	(2,082,816)
Donor-restricted endowment funds not appropriated for expenditure within one year	(726,068)	(635,895)
Board-designated endowment funds	(17,519)	(15,320)
Other board-designated net assets	(76,625)	(86,139)
Inventories and prepaid expenses	(108,287)	(111,528)
Property and equipment	(4,258,260)	(2,491,372)
	<u>\$ 2,845,206</u>	<u>\$ 2,619,854</u>
Financial assets available at year-end for current use	<u>\$ 2,845,206</u>	<u>\$ 2,619,854</u>

KSC endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for operations. Donor-restricted endowment funds are not available for general expenditure. KSC exhibit maintenance and replacement endowment of \$661,123 is subject to an annual spending rate of up to 5 percent as described in Note G.

Board designated financial assets represent amounts designated for infrastructure improvements and professional development activities as determined by the Board. Although KSC does not intend to spend these board-designated funds for other than their intended purposes, these amounts could be made available if necessary.

As part of KSC's liquidity management plan, KSC structures financial assets to be available as its general expenditures, liabilities, and other obligations become due. KSC invests cash in excess of daily requirements in money market funds.

In an event of an unanticipated liquidity need, KSC also could draw upon \$750,000 of an available line of credit as described in Note I.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note D - Deposits and Investments**

At June 30, 2023, KSC's carrying amount of deposits is \$2,174,636 and the bank balances are \$2,312,068. Of this amount, \$250,000 is covered by federal depository insurance and \$2,062,068 is insured with securities held by the pledging financial institution. At June 30, 2022, KSC's carrying amount of deposits is \$3,585,179 and the bank balances are \$3,726,615. Of this amount, \$250,000 is covered by federal depository insurance and \$3,476,615 is insured with securities held by the pledging financial institution.

KSC's investment policy requires that investments be divided to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific user, or a specific class of securities. At June 30, 2023, KSC has collateral through its depository, in addition to federal depository insurance, to support instruments subject to credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KSC would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of KSC's investments are held by KSC or in the name of KSC by a Trustee.

At June 30, KSC's carrying amount of investments is:

	2023			2022		
	Credit quality rating	Fair value	Weighted average maturity (years)	Credit quality rating	Fair value	Weighted average maturity (years)
Money market funds	N/A	\$ 18,238	N/A	N/A	\$ 6,801	N/A
Bond mutual funds	Not rated *	162,738	9.1700	Not rated *	169,175	8.6500
Equity mutual funds						
Emerging market value		12,487			12,307	
International large cap growth		31,054			26,022	
International large cap value		37,435			31,725	
Large cap core		339,347			25,036	
Large cap growth		-			112,465	
Large cap value		128			148,441	
Mid cap core		85,624			70,666	
Small cap growth		23,764			20,201	
Small cap value		32,772			28,376	
Total equity mutual funds		562,611	N/A	Not rated	475,239	N/A
		<u>\$ 743,587</u>			<u>\$ 651,215</u>	
Portfolio weighted average maturity			8.25			8.31

\* Effective June 2010, the Financial Industry Regulatory Authority does not permit a credit quality rating to be published for a portfolio based on the average credit rating of the assets within the portfolio. However, each bond is individually rated by one of the nationally recognized credit rating services. As of June 30, 2023 and 2022, over 98% of the bonds are investment grade rated. All investments fall within the Board approved investment policy guidelines.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note D - Deposits and Investments (Continued)**

Fair value measurements at June 30, 2023 and 2022 are quoted prices in active markets for identical assets (Level 1). Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of KSC. KSC's investment policy minimizes interest rate risk by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to seek securities on the open market prior to maturity and investing operating funds primarily in short-term securities or similar investments. KSC minimizes credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which KSC does business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized. KSC places no limit on the amount KSC may invest in any one issuer.

**Note E - Pledges Receivable**

KSC has pledges for operations and other specified projects. Some of these pledges are restricted by time or for donor designated projects.

Pledges receivable at June 30, 2023 and 2022 consist of the following unconditional promises to give:

	<u>2023</u>	<u>2022</u>
Gross pledges receivable	\$ 554,999	\$ 762,444
Less discount to present value	<u>(27,762)</u>	<u>(39,752)</u>
	<u><u>\$ 527,237</u></u>	<u><u>\$ 722,692</u></u>

Amounts due in:

	<u>Amount</u>
Less than one year	\$ 215,999
One to five years	<u>339,000</u>
	<u><u>\$ 554,999</u></u>

Pledges receivable in future periods are discounted at rates ranging from 0.9% to 4.13%.

KSC has one donor that represents 63% of the gross pledges receivable at June 30, 2023. KSC has one donor that represents 66% of the gross pledges receivable at June 30, 2022.



**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note F - Property and Equipment**

Property and equipment activity for the year ended June 30, 2023 is as follows:

	Beginning balance	Increases	Decreases	Ending balance
Property and equipment not being depreciated				
Exhibits in progress	<u>\$ 354,438</u>	<u>\$ 25,000</u>	<u>\$ (354,438)</u>	<u>\$ 25,000</u>
Total property and equipment not being depreciated	354,438	25,000	(354,438)	25,000
Other property and equipment				
Leasehold improvements	6,293,020	28,687	-	6,321,707
Furniture, fixtures and equipment	686,334	10,717	(1,690)	695,361
Museum exhibits	<u>14,244,085</u>	<u>2,751,004</u>	<u>(4,925)</u>	<u>16,990,164</u>
Total other property and equipment at historical costs	21,223,439	2,790,408	(6,615)	24,007,232
Less accumulated depreciation	<u>(19,086,505)</u>	<u>(694,082)</u>	<u>6,615</u>	<u>(19,773,972)</u>
Other property and equipment, net	<u>2,136,934</u>	<u>2,096,326</u>	<u>-</u>	<u>4,233,260</u>
Property and equipment, net	<u><u>\$ 2,491,372</u></u>	<u><u>\$ 2,121,326</u></u>	<u><u>\$ (354,438)</u></u>	<u><u>\$ 4,258,260</u></u>

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note F - Property and Equipment (Continued)**

Property and equipment activity for the year ended June 30, 2022 is as follows:

	Beginning balance	Increases	Decreases	Ending balance
Property and equipment not being depreciated				
Exhibits in progress	\$ 40,000	\$ 314,438	\$ -	\$ 354,438
Total property and equipment not being depreciated	40,000	314,438	-	354,438
Other property and equipment				
Leasehold improvements	6,284,814	8,206	-	6,293,020
Furniture, fixtures and equipment	728,978	18,305	(60,949)	686,334
Museum exhibits	14,233,182	16,895	(5,992)	14,244,085
Total other property and equipment at historical costs	21,246,974	43,406	(66,941)	21,223,439
Less accumulated depreciation	(18,545,093)	(607,436)	66,024	(19,086,505)
Other property and equipment, net	2,701,881	(564,030)	(917)	2,136,934
Property and equipment, net	<u>\$ 2,741,881</u>	<u>\$ (249,592)</u>	<u>\$ (917)</u>	<u>\$ 2,491,372</u>

**Note G - Endowments**

KSC's endowment consists of two donor-restricted endowment funds and one board designated endowment fund. The funds were established to fund exhibit repairs and operations. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

KSC follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the provisions of which apply to endowment funds. As such, KSC is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

KSC has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. KSC classifies as net assets with donor restrictions in perpetuity the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note G - Endowments (Continued)**

The endowment fund assets at June 30, 2023 and 2022 are included in the following categories on the statements of financial position:

	June 30, 2023		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ -	\$ 726,068	\$ 726,068
Board designated	17,519	-	17,519
	<u>\$ 17,519</u>	<u>\$ 726,068</u>	<u>\$ 743,587</u>
	June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ -	\$ 635,895	\$ 635,895
Board designated	15,320	-	15,320
	<u>\$ 15,320</u>	<u>\$ 635,895</u>	<u>\$ 651,215</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of the year	\$ 15,320	\$ 635,895	\$ 651,215
Investment return			
Investment income	167	6,934	7,101
Net appreciation	<u>2,032</u>	<u>78,239</u>	<u>80,271</u>
Total investment return	2,199	85,173	87,372
Contributions	-	5,000	5,000
Appropriation for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 17,519</u>	<u>\$ 726,068</u>	<u>\$ 743,587</u>

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note G - Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of the year	\$ 19,110	\$ 776,169	\$ 795,279
Investment return			
Investment income	86	3,465	3,551
Net depreciation	(3,876)	(148,739)	(152,615)
Total investment return	(3,790)	(145,274)	(149,064)
Contributions	-	5,000	5,000
Appropriation for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 15,320</u>	<u>\$ 635,895</u>	<u>\$ 651,215</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires KSC to retain as a fund of perpetual duration. At June 30, 2023 and 2022, none of the endowments are underwater.

KSC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. KSC expects its endowment funds, over time, to provide an average rate of return consistent with its investment objectives, goals, and guidelines as measured against commonly accepted performance benchmarks. Actual results in any given year may vary from this amount. To satisfy its long-term rate-of-return objective, KSC relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. KSC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

KSC has a policy of appropriating for distribution each year up to 5% of its endowment funds' average fair value over the prior 12 quarters ending March 31 of the year preceding the fiscal year in which the distribution is planned. The amount of the distribution is approved by the Executive Committee of the Board of Directors on an as-needed basis. The Board of Directors may also authorize prior years' unexpended annual spending policy amounts to be used for future expenditures as part of the annual budget. In establishing this policy, KSC considered the long-term expected return on its endowment and its objective to maintain the purchasing power of the endowment assets held in perpetuity as well as additional growth through new gifts and investment return.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note H - Collections**

In accordance with the ASC, KSC does not capitalize donated or purchased collections. Such collections consist entirely of historical artifacts, scientific specimens, and art objects. Such donations and acquisitions need not be recognized since they are added to collections that are held for public exhibition, education, and research purposes in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections or for collection maintenance. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors.

Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The value of the collection is indeterminable as of June 30, 2023 and 2022.

**Note I - Financing Arrangements**

KSC has a line of credit agreement with PNC Bank for \$750,000 with an interest rate of the sum of the daily BSBY rate (5.17% at June 30, 2023) plus 2.75%, which expires in May 2024. The line is secured by all business assets. There is no balance outstanding on this line of credit at June 30, 2023 or 2022.

**Note J - Refundable Advances**

In April 2020, KSC applied for and received approval for a Paycheck Protection Program ("PPP") loan under the CARES Act in the amount of \$570,500. Under the CARES Act, subject to limitations, as defined, this loan may be partially or fully forgiven depending on specific actual payroll and other qualified costs for the covered period following receipt of loan proceeds. Any amount not forgiven will be payable in 24 monthly installments of principal and interest at 1% and will be unsecured.

In March 2021, KSC received a second round Paycheck Protection Program ("PPP2") loan of \$572,020 made available to eligible organizations through the Consolidated Appropriations Act ("CAA"). This loan bears interest at 1%, is due in 60 months and is unsecured. Under the CAA, subject to limitations, as defined, this loan may be partially or fully forgiven, depending on actual payroll and other qualified costs for the elected covered period (8 to 24 weeks) following receipt of the loan proceeds.

KSC accounted for the loan proceeds as a conditional contribution in accordance with ASC 958-605. As such, KSC maintains the conditions will be substantially met when forgiveness is received from the Small Business Administration. KSC was awarded full forgiveness of both PPP loans during the year ended June 30, 2022 and has recognized the proceeds as grant revenue on the 2022 statement of activities and changes in net assets. In accordance with the related PPP loan guidelines, the SBA reserves the right to audit any PPP loan at any time during the loan process, including after the loan is partially or fully forgiven and KSC has been legally released.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note K - Net Assets**

Board designated net assets consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose		
Science in Play	\$ 50,000	\$ 50,000
Professional development	26,625	36,137
Exhibit maintenance and replacement endowment	<u>17,519</u>	<u>15,320</u>
	<u>\$ 94,144</u>	<u>\$ 101,457</u>

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose		
Uniquely Human exhibit	\$ 10,500	\$ 1,741,408
My Big Little Adventure	-	98,200
Other exhibit production	93,429	107,674
Other educational programs	<u>96,429</u>	<u>135,534</u>
	200,358	2,082,816
Subject to organization spending policy and appropriation investment in perpetuity, the income which is available to support		
Exhibit maintenance and replacement	661,123	574,694
Operations	<u>64,945</u>	<u>61,201</u>
	<u>726,068</u>	<u>635,895</u>
	<u>\$ 926,426</u>	<u>\$ 2,718,711</u>

**Note L - Local Government Support**

KSC was a joint operation of the City and County government until October 1984 when it reorganized into its present form as a private nonprofit corporation.

KSC continues to receive support from Metro Government each year under a formula based on the level of support provided for the year ended June 30, 2007. The calculation is adjusted for inflation and may be adjusted for Metro Government budgetary reasons. KSC received \$762,500 for operating support from Metro Government during each of the years ended June 30, 2023 and 2022.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note L - Local Government Support (Continued)**

KSC receives additional support from Metro Government under operating and lease agreements, which expire in the year 2083. KSC occupies historic buildings and operates the adjacent parking lot, all owned by the City, for an annual rent of one dollar. Responsibility for internal nonstructural improvements and maintenance belongs to KSC. Beginning in the year ended June 30, 2012, an additional general annual appropriation is to be provided to KSC to cover preventative and ongoing general systems maintenance, subject to the availability of revenues to be appropriated. KSC received \$300,000 and \$100,000 for general maintenance from Metro Government during the years ended June 30, 2023 and 2022, respectively. The estimated fair rental value of the premises is not reported in the financial statements because such values are not readily determinable.

In addition, KSC receives contributed services for technical support, certain capital improvements, and other administrative services for which values are not readily determinable and thus not recorded in the accompanying financial statements.

KSC received \$750,000 from Metro Government for the third floor gallery during the year ended June 30, 2022.

**Note M - Contributions Other than Cash**

Contributions of property and equipment, materials, advertising, and gifts for fundraisers are recorded in the accompanying financial statements. Donated materials, advertising and other gifts are recorded at their estimated fair value and donated property and equipment at their appraised or estimated fair value. Fair value is based on the prices that would be received if selling similar items. Contributed materials in the amount of \$10,470 and \$0 during the years ended June 30, 2023 and 2022 respectively, were recorded as contributions, and program and supporting services expenses or capitalized. All donated items were utilized in KSC's programs. There were no donor-imposed restrictions associated with donated materials.

During the year ended June 30, 2023, 138 volunteers donated 2,702 hours of time to KSC. During the year ended June 30, 2022, 134 volunteers donated 2,202 hours of time to KSC. This time represents non-professional services and is, therefore, not recorded in the accompanying financial statements.

**Note N - Rental Income**

KSC leases certain facilities under a noncancelable operating lease that was renewed through October 2024. The approximate minimum future building rentals due to KSC under this lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 36,000
2025	<u>12,000</u>
	<u><u>\$ 48,000</u></u>

Rental income from the building lease was \$37,399 and \$33,818 for the years ended June 30, 2023 and 2022, respectively.

**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note O - Revenue from Contracts with Customers**

The following table provides information about significant changes in deferred membership dues for the year ended June 30, 2023:

Deferred membership dues, July 1, 2022	\$ 345,540
Revenue recognized that was included in deferred membership dues at the beginning of the year	(345,540)
Increase in deferred membership revenue due to cash received during the period	<u>469,482</u>
Deferred membership dues, June 30, 2023	<u>\$ 469,482</u>

**Note P - Fundraising Events**

Gross revenues and direct event expenses related to fundraising events during the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Annual fundraising event		
Revenues	\$ 154,522	\$ 141,660
Expenses	<u>(75,023)</u>	<u>(107,760)</u>
	<u>\$ 79,499</u>	<u>\$ 33,900</u>

**Note Q - Employee Benefit Plans**

KSC sponsors a plan that is qualified under Internal Revenue Code Section 403(b). Employees of KSC who meet certain requirements can participate in a matched savings plan. The plan matches, within IRS limitations, 50% of an employee's contributions up to 6% of the participating employee's compensation. The employer match was \$48,031 and \$42,175 for the years ended June 30, 2023 and 2022, respectively.

**Note R - Lease Commitments**

KSC determines if an arrangement is a lease at inception. KSC has one operating lease which is included as an operating lease right-of-use ("ROU") asset and operating lease liability on the statements of financial position.

The ROU asset represents KSC's right to use an underlying asset for the lease term and the lease liability represents the KSC's obligation to make lease payments arising from the lease. The operating lease ROU asset and liability are recognized at commencement date based on the present value of fixed lease payments over the lease term. In determining the present value of fixed lease payments, KSC used a risk-free rate of return of 5.5% which is a practical expedient allowed if no rate implicit in the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

During the year ended June 30, 2020, KSC entered into a non-cancelable lease agreement for the use of three copiers through June 2024. Rent expense of \$6,592 and \$5,836 was recorded under this lease during the years ended June 30, 2023 and 2022, respectively. The balance of the ROU asset and lease liability were both \$4,112 at June 30, 2023.



**The Kentucky Science Center, Inc.**  
**Notes to Financial Statements (Continued)**  
**Years Ended June 30, 2023 and 2022**

**Note R - Lease Commitments (Continued)**

Future minimum lease payments under this lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	<u>\$ 4,236</u>
	4,236
Present value discount	<u>124</u>
Total operating lease liability	4,112
Less current portion	<u>4,112</u>
Long-term operating lease liability	<u><u>\$ -</u></u>

**Note S - Commitments**

KSC has outstanding commitments under various contracts of approximately \$140,000 and \$108,000 at June 30, 2023 and 2022, respectively.

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Directors  
The Kentucky Science Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Kentucky Science Center, Inc. ("KSC"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered KSC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KSC's internal control. Accordingly, we do not express an opinion on the effectiveness of KSC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of KSC's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards* (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether KSC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KSC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KSC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky  
October 25, 2023