

Rockettown of Middle Tennessee, Inc.

Financial Statements
For the Years Ending June 30, 2020 and 2019

Rocketown of Middle Tennessee, Inc.
Financial Statements
For the Years Ending June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Rockettown of Middle Tennessee, Inc.

Report on the Financial Statements

We have audited the financial statements of Rockettown of Middle Tennessee, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2020, 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 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 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 respects, the financial position of Rockettown of Middle Tennessee, Inc. as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Organization, as of and for the year ended June 30, 2019, were audited by other auditors whose report, dated November 4, 2019, expressed an unmodified opinion on those statements.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
December 2, 2020

Rocketown of Middle Tennessee, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 4,293,107	\$ 334,390
Accounts receivable	5,704	32,462
Other assets	41,038	39,901
Restricted cash	104,949	-
Beneficial interest in amounts held by others	4,569	4,898
Fixed assets, net	5,662,658	6,441,080
Endowment fund	19,275	19,176
Total assets	\$ 10,131,300	\$ 6,871,907
Liabilities and Net Assets		
Accounts payable	\$ 18,474	\$ 39,315
Accrued expenses	47,942	69,976
Deferred revenue	29,999	43,268
Capital lease obligation	-	4,131
Note payable	-	621,557
PPP loan	155,600	-
Total liabilities	252,015	778,247
Net assets		
Without donor restrictions	9,860,010	5,958,084
With donor restrictions	19,275	135,576
Total net assets	9,879,285	6,093,660
Total liabilities and net assets	\$ 10,131,300	\$ 6,871,907

Rocketown of Middle Tennessee, Inc.Statement of Activities
For the Year Ending June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Support			
Special events, net	\$ 282,549	\$ -	\$ 282,549
Contributions	174,514	-	174,514
Foundation contributions and grants	147,076	-	147,076
Revenue			
Facility rentals	493,959	-	493,959
Product sales	220,458	-	220,458
Membership dues, cover charges, session fees, and lessons	192,533	-	192,533
Investment income	-	99	99
Interest income	6,830	-	6,830
Gain on the sale of fixed assets	4,057,142	-	4,057,142
Net assets released from restriction	116,400	(116,400)	-
Total support and revenue	5,691,461	(116,301)	5,575,160
Expenses			
Program services	1,215,726	-	1,215,726
Supporting services			
Management and general	389,590	-	389,590
Fundraising	184,219	-	184,219
Total expenses	1,789,535	-	1,789,535
Change in net assets	3,901,926	(116,301)	3,785,625
Net assets, beginning of year	5,958,084	135,576	6,093,660
Net assets, end of year	\$ 9,860,010	\$ 19,275	\$ 9,879,285

Rocketown of Middle Tennessee, Inc.Statement of Activities
For the Year Ending June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Support			
Special events, net	\$ 332,760	\$ -	\$ 332,760
Contributions	155,913	-	155,913
Foundation contributions and grants	58,894	116,400	175,294
Revenue			
Facility rentals	649,229	-	649,229
Product sales	275,174	-	275,174
Membership dues, cover charges, session fees, and lessons	237,183	-	237,183
Investment income	-	732	732
Net assets released from restriction	80,000	(80,000)	-
Total support and revenue	<u>1,789,153</u>	<u>37,132</u>	<u>1,826,285</u>
Expenses			
Program services	1,462,287	-	1,462,287
Supporting services			
Management and general	365,836		365,836
Fundraising	128,932	-	128,932
Total expenses	<u>1,957,055</u>	<u>-</u>	<u>1,957,055</u>
Change in net assets	(167,902)	37,132	(130,770)
Net assets, beginning of year	<u>6,125,986</u>	<u>98,444</u>	<u>6,224,430</u>
Net assets, end of year	\$ 5,958,084	\$ 135,576	\$ 6,093,660

Rocketown of Middle Tennessee, Inc.

Statement of Functional Expenses

For the Year Ending June 30, 2020

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 472,580	\$ 185,750	\$ 112,112	\$ 770,442
Employee benefits	46,200	18,159	10,961	75,320
Payroll taxes	<u>36,419</u>	<u>11,188</u>	<u>6,672</u>	<u>54,279</u>
Total personnel	555,199	215,097	129,745	900,041
Purchased services	101,719	73,870	736	176,325
Depreciation	127,026	5,523	5,523	138,072
Cost of goods sold	126,480	-	-	126,480
Utilities	71,449	3,107	3,107	77,663
Repairs and maintenance	66,209	9,782	-	75,991
Taxes and licenses	54,940	5,758	-	60,698
Insurance	53,014	2,305	2,305	57,624
Telephone	3,330	21,129	390	24,849
Supplies	15,452	4,746	3,047	23,245
Bank fees	1,878	13,823	5,438	21,139
Special events, net	-	-	21,043	21,043
Food and entertainment	12,393	3,721	1,205	17,319
Miscellaneous	6,714	8,392	787	15,893
Interest	14,277	621	621	15,519
Dues and subscriptions	500	10,086	3,341	13,927
Legal and professional	20	10,876	-	10,896
Postage and freight	4,901	374	1,449	6,724
Design, photography, printing	<u>225</u>	<u>380</u>	<u>5,482</u>	<u>6,087</u>
	\$ 1,215,726	\$ 389,590	\$ 184,219	\$ 1,789,535

Rocketown of Middle Tennessee, Inc.

Statement of Functional Expenses

For the Year Ending June 30, 2019

	Program	Management and general	Fundraising	Total
Salaries and wages	\$ 528,760	\$ 125,876	\$ 63,306	\$ 717,942
Employee benefits	68,900	-	4,057	72,957
Payroll taxes	44,121	9,111	3,951	57,183
Total personnel	641,781	134,987	71,314	848,082
Purchased services	127,071	122,117	2,528	251,716
Depreciation	147,332	6,406	6,406	160,144
Cost of goods sold	159,939	-	-	159,939
Utilities	96,727	4,205	4,206	105,138
Repairs and maintenance	73,400	8,534	-	81,934
Taxes and licenses	46,207	-	-	46,207
Insurance	59,145	2,572	2,571	64,288
Telephone	3,328	21,228	299	24,855
Supplies	23,678	3,941	341	27,960
Bank fees	1,427	12,380	7,623	21,430
Special events, net	-	-	26,196	26,196
Food and entertainment	42,140	8,238	530	50,908
Miscellaneous	5,947	9,284	320	15,551
Interest	25,256	1,098	1,098	27,452
Dues and subscriptions	3,229	17,184	3,456	23,869
Legal and professional	33	12,687	-	12,720
Postage and freight	5,362	975	315	6,652
Design, photography, printing	285	-	1,729	2,014
	\$ 1,462,287	\$ 365,836	\$ 128,932	\$ 1,957,055

Rocketown of Middle Tennessee, Inc.
Statements of Cash Flows
For the Years Ending June 30, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 334,390	\$ 426,048
Cash flows from operating activities		
Change in net assets	3,785,625	(130,770)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	138,072	160,144
Realized and unrealized gain on endowment, net	(99)	(470)
Change in beneficial interest in amounts held by others	329	(262)
Gain on sale of fixed assets	(4,057,142)	-
Change in:		
Accounts receivable	26,758	(22,031)
Contributions receivable	-	5,923
Other assets	(1,137)	31,036
Accounts payable	(20,841)	(24,929)
Accrued expenses	(22,034)	(3,202)
Deferred revenue	(13,269)	(36,341)
Net cash used by operating activities	(163,738)	(20,902)
Cash flows from investing activities		
Proceeds from the sale of fixed assets, net	4,703,503	-
Payments for the purchase of fixed assets	(6,011)	(25,891)
Net cash provided (used) by investing activities	4,697,492	(25,891)
Cash flows from financing activities		
Payments on capital lease obligation	(4,131)	(16,471)
Proceeds from PPP loan	155,600	-
Payments on note payable	(621,557)	(28,394)
Net cash used by financing activities	(470,088)	(44,865)
Net change in cash	4,063,666	(91,658)
Cash, end of year	\$ 4,398,056	\$ 334,390
Reconciliation of cash to statements of financial position		
Cash	\$ 4,293,107	\$ 334,390
Restricted cash	104,949	-
	\$ 4,398,056	\$ 334,390
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 15,519	\$ 27,452

Rockettown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Rockettown of Middle Tennessee (the Organization) was founded in 1994 as a Tennessee not for-profit corporation. The Organization's mission is to offer hope to the next generation through Christ's love. Rockettown's vision is to be the place of peace, purpose, and possibilities for youth.

The Organization offers creative, spiritual, educational, social, and job preparedness programs and support. A skate park, concert, and event venue are operated at 601 Fourth Avenue South, Nashville, Tennessee. This facility includes a nine thousand square foot indoor skateboarding park; a small venue, a large state-of-the-art music venue, and performance space; the coffee bar, a full-service coffee shop; a dance studio that can be used as a multi-purpose room; a recording studio; and four classroom spaces for after-school and summer camp programming.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Financial Statement Presentation

The Organization follows the recommendations contained in the Presentation of Financial Statements, Not-For-Profit Entities topic of the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ACS). Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions with no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These net assets result from gifts of cash and other assets received with donor stipulations limiting the use of the donated assets, temporarily or permanently. These net assets are restricted until the donor restriction expires or the purpose of the restriction is accomplished.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor-restricted contributions as without donor restrictions to the extent donor restrictions are met in the year the contributions were received.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization expects to fully collect these items; therefore, no allowance for uncollectible accounts has been recorded in the financial statements.

Fixed Assets

Land, building, equipment, and furniture purchases in excess of \$1,000 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of fixed assets, other than land, is calculated by the straight-line method over estimated useful lives ranging from three to 10 years for equipment and furniture and five to 40 years for buildings and improvements.

Inventories

Inventories consist principally of coffee bar supplies and skate park store products and are reported at lower of cost (first-in, first-out method) or net realizable value.

Restricted cash

Restricted cash includes unspent proceeds from the Organization's PPP loan.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Revenue Recognition and Deferred Revenues

Facility rental revenues are recognized in the period in which the facility is utilized. Facility receipts received in advance are recorded as deferred revenues and recognized as revenue in the month in which it is earned. Revenue from product sales, dues, cover charges, session fees, and lessons are substantially recognized when the products are sold and/or the services are provided.

Donated Goods and Services

Donated facilities and materials are recorded as contributions in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, are performed by a donor who possesses such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expensed in the period the services were performed. A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs and exhibits. The value of contributed time is not reflected in these financial statements since it does not meet the recognition threshold describe above.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled \$10,022 and \$16,499 in 2020 and 2019, respectively.

US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that would not be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that, as of June 30, 2020, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Program and Supporting Services

The following program and supporting services are included in the Organization financial statements:

Program Services

Includes the direct cost of operating the Organization's indoor skate park, music venue, and coffee bar. Additionally, program services include numerous enrichment programs offered to teenagers visiting the facility, including skateboarding lessons, songwriting, video editing, graffiti art, and dance.

Management and General

Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising

Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and the creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Some cost have been charged using specific identification. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	Method of allocation
Personnel	Time and effort
Depreciation	Square footage
Interest	Square footage
Utilities	Square footage

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 1. Nature of Organization and Significant Accounting Policies

New Accounting Pronouncement

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update results in treatment of most government grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Organization has adopted this new standard; however, it did not have a material impact on the timing of grant or gift revenue recognition.

Note 2. Availability and Liquidity

The Organization's primary sources of support are revenues generated through facility rentals, special events, and contributions. The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year:

	2020	2019
Financial assets		
Cash	\$ 4,398,056	\$ 334,390
Accounts receivable	5,704	30,037
Beneficial interest in amounts held by others	4,569	4,898
Endowment fund	<u>19,275</u>	<u>19,176</u>
Total financial assets at year-end	\$ 4,427,604	\$ 390,926
Less amounts not available to be used within one year		
Operating cash – time restrictions	-	(116,400)
Beneficial interest in amounts held by others	(4,569)	(4,898)
Endowment fund	<u>(19,275)</u>	<u>(19,176)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,403,760	\$ 250,452

As further described in Note 5, the Organization netted a gain of \$4,057,142 on net proceeds of \$4,703,503 from the sale of a building which is included in cash as of June 30, 2020.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 3. Beneficial Interest in Amounts Held by Others

Amounts reported in the statements of financial position as beneficial interest in amounts held by others represent the cumulative transfer of funds, as well as earnings thereon, to the Firm Foundation of Middle Tennessee (the Foundation), which is a component fund of the National Christian Charitable Foundation, Inc. These amounts totaled \$4,569 and \$4,898 at June 30, 2020 and 2019, respectively. The Foundation holds and invests the funds on behalf of the Organization. The Foundation has variance power over the funds if the Organization fails to comply with the requirements for distribution. The funds are distributable upon request by the Organization and approval of the Foundation. Distributions will be approved if the Organization continues to operate as a 501(c)(3) and a religious organization. Management does not expect the Organization to fail to comply with the requirements for distribution.

Note 4. Inventories

Inventories consist of the following as of June 30:

	2020	2019
Skate park shop merchandise	\$ 32,605	\$ 32,790
Coffee bar merchandise	<u>7,323</u>	<u>6,001</u>
Total inventories	\$ 39,928	\$ 38,791

These inventory balances are included in other assets on the statements of financial position.

Note 5. Fixed Assets

Fixed assets consist of the following as of June 30:

	2020	2019
Land	\$ 2,367,032	\$ 2,367,032
Buildings and improvements	4,360,078	5,153,637
Machinery and equipment	437,895	753,024
Furniture and fixtures	36,555	37,163
Less accumulated depreciation	<u>(1,538,902)</u>	<u>(1,869,776)</u>
Fixed assets, net	\$ 5,662,658	\$ 6,441,080

During 2020, the Organization sold a building for \$5,000,000. The resulting gain recorded for this sale was \$4,057,142. The Organization's board of directors and management are currently reviewing options as to how best to reinvest those funds to further the Organization's mission.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 6. Endowment Fund

The Organization has received a donation to establish a permanent endowment fund to provide funds to help support the Organization's various youth programs. Terms of the donation require the funds to be segregated from other Organization funds. Gifts made to the donor-restricted endowment are reported as net assets with donor restrictions.

	2020	2019
Endowment net assets, beginning of year	\$ 19,176	\$ 18,444
Interest and dividends	448	445
Unrealized losses	(160)	541
Realized gains	-	(71)
Amounts appropriated for expenditures	<u>(189)</u>	<u>(183)</u>
Endowments net assets, end of year	\$ 19,275	\$ 19,176

Note 7. Line of Credit

The Organization had a \$500,000 revolving line of credit with a financial institution to help finance its short-term capital needs. The line matured on June 19, 2020.

Note 8. Note Payable

The Organization had a note payable to a financial institution with a fixed interest rate of 4.25%. The loan was secured by the buildings and land held by the Organization. This note was paid in full with a portion of the proceeds from the sale of one of the Organization's buildings in 2020.

Note 9. PPP Loan

On April 4, 2020, the Organization received a loan in the amount of \$155,600 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of June 30, 2020, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended \$50,651 on potential qualifying costs as defined by the legislation. The unsecured note bears interest at the rate of 1.00% and matures on April 4, 2022 with no scheduled payments in the fiscal year ending June 30, 2021. As long as the Organization submits its loan forgiveness application within 10 months of the end of the covered period, the Organization will not be required to make any payments on the loan until the forgiveness amount is remitted to the lender by the U.S. Small Business Administration. If the loan is fully forgiven, the Organization will not be responsible for any payments.

The Organization has elected to treat the PPP loan as debt and has presented it as PPP loan in the statements of financial position. The Organization has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial. Scheduled maturities are due in 2022.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 10. Fair Value Measurements

The Organization has adopted the provisions of the Fair Value Measurement Topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of significant input to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

A description of the valuation methodologies used for assets measured at fair value is as follows:

Exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

Investments and their fair value measurement consist of the following as of June 30:

Level 1	2020	2019
Cash	\$ 514	\$ 1,095
Exchange traded funds	<u>18,761</u>	<u>18,081</u>
Total investments	\$ 19,275	\$ 19,176

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ending June 30, 2020 and 2019

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2020	2019
Subject to the Passage of Time or Expenditure for Specified Purpose		
General support for programs	\$ -	\$ 116,400
Endowment Funds		
Original gifts and required retained earnings		
Youth programs	15,000	15,000
Accumulated income	<u>4,275</u>	<u>4,176</u>
Total endowment funds	<u>19,275</u>	<u>19,176</u>
Net assets with donor restrictions	\$ 19,275	\$ 135,576

Note 12. Special Events

Special events expenses reported on the statement of functional expenses consisted of the following for the years ended June 30:

	2020	2019
Gross special events expense	\$ 49,093	\$ 55,993
Direct benefits to donors	<u>(28,050)</u>	<u>(29,797)</u>
Special events, net	\$ 21,043	\$ 26,196

Note 13. Employee Benefit Plan

The Organization sponsors a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code in which substantially all employees of the Organization qualify after they have completed one year of service. The plan allows participants to contribute a percentage of their gross pay up to the amount allowable by the Internal Revenue Code. The Organization recognized \$14,096 and \$20,961 as expense under this plan during the years ended June 30, 2020 and 2019, respectively. These amounts were included in the statements of functional expenses as employee benefits.

Note 14. Concentrations

The Organization had bank deposits in a financial institution that were approximately \$4,150,000 and \$55,000 in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation at June 30, 2020 and 2019, respectively.

Note 15. Subsequent Events

Management has evaluated subsequent events through December 2, 2020, the date on which the financial statements were available to be issued.