

Rocketown of Middle Tennessee, Inc.

Financial Statements
For the Years Ended June 30, 2022 and 2021

Rocketown of Middle Tennessee, Inc.
Financial Statements
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Independent Auditor's Report

Board of Directors
Rocketown of Middle Tennessee, Inc.

Opinion

We have audited the financial statements of Rocketown of Middle Tennessee, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, 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 Organization as of June 30, 2022 and 2021, 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). 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 Organization 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Organization'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 Organization'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
January 6, 2023

Rocketown of Middle Tennessee, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 683,382	\$ 579,354
Accounts receivable	6,401	139,677
Other assets	81,444	89,038
Cash, designated for long-term purposes	3,046,000	3,800,000
Beneficial interest in amounts held by others	4,648	5,317
Property available for sale	5,383,541	-
Fixed assets, net	5,189,243	5,867,053
Endowment fund	21,443	25,907
Total assets	\$ 14,416,102	\$ 10,506,346
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 128,642	\$ 51,321
Accrued expenses	57,881	44,274
Deferred revenues	76,207	79,239
PPP loan	-	296,424
Note payable	4,037,500	-
Total liabilities	4,300,230	471,258
Net assets		
Without donor restrictions	10,094,429	9,989,704
With donor restrictions	21,443	45,384
Total net assets	10,115,872	10,035,088
Total liabilities and net assets	\$ 14,416,102	\$ 10,506,346

Rocketown of Middle Tennessee, Inc.

Statement of Activities

For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Special events, net	\$ 387,961	\$ -	\$ 387,961
Individuals, churches, corporate	298,051	-	298,051
Foundation contributions and grants	425,841	-	425,841
Contributions of nonfinancial assets	47,375	-	47,375
Revenues			
Facility rentals and parking	928,985	-	928,985
Product sales	350,652	-	350,652
Membership dues, cover charges, session fees, and lessons	48,850	-	48,850
Investment income (loss)	-	(4,464)	(4,464)
Interest income	1,033	-	1,033
Net assets released from restriction	19,477	(19,477)	-
Total support and revenues	2,508,225	(23,941)	2,484,284
Expenses			
Program services	1,411,191	-	1,411,191
Supporting services			
Management and general	729,443	-	729,443
Fundraising	262,866	-	262,866
Total expenses	2,403,500	-	2,403,500
Change in net assets	104,725	(23,941)	80,784
Net assets, beginning of year	9,989,704	45,384	10,035,088
Net assets, end of year	\$ 10,094,429	\$ 21,443	\$ 10,115,872

Rocketown of Middle Tennessee, Inc.

Statement of Activities

For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets			
Special events, net	\$ 227,299	\$ -	\$ 227,299
Individuals, churches, corporate	360,985	-	360,985
Foundation contributions and grants	442,997	-	442,997
Contributions of nonfinancial assets	13,351	-	13,351
Revenues			
Facility rentals and parking	202,686	-	202,686
Product sales	331,969	-	331,969
Membership dues, cover charges, session fees, and lessons	36,981	-	36,981
Employee retention credits	137,825	-	137,825
Investment income	-	6,631	6,631
Interest income	2,101	-	2,101
Net assets released from restriction	(19,478)	19,478	-
Total support and revenues	1,736,716	26,109	1,762,825
Expenses			
Program services	972,516	-	972,516
Supporting services			
Management and general	429,028	-	429,028
Fundraising	205,478	-	205,478
Total expenses	1,607,022	-	1,607,022
Change in net assets	129,694	26,109	155,803
Net assets, beginning of year	9,860,010	19,275	9,879,285
Net assets, end of year	\$ 9,989,704	\$ 45,384	\$ 10,035,088

Rocketown of Middle Tennessee, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2022

		Supporting services		
	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 420,070	\$ 261,431	\$ 148,644	\$ 830,145
Employee benefits	35,693	43,658	8,203	87,554
Payroll taxes	30,941	21,327	11,211	63,479
Contract labor	25,770	2,046	-	27,816
Security	75,378	-	-	75,378
Total personnel	587,852	328,462	168,058	1,084,372
Cost of goods sold	181,858	-	-	181,858
Contributions	16,117	-	-	16,117
Depreciation	216,191	9,400	9,400	234,991
Design, photography, printing	650	-	4,574	5,224
Dues and subscriptions	2,152	18,679	3,942	24,773
Food and entertainment	41,943	6,225	1,448	49,616
Interest expenses	-	108,257	-	108,257
Insurance	64,354	2,798	2,798	69,950
IT management	-	22,000	-	22,000
Legal and professional	732	67,705	7,574	76,011
Postage and freight	40	806	2,037	2,883
Repairs and maintenance	85,159	3,703	3,703	92,565
Special events, net	-	-	42,938	42,938
Supplies	79,259	11,658	2,944	93,861
Taxes and licenses	30,967	106,780	-	137,747
Telephone and internet	1,965	24,428	795	27,188
Travel	2,470	11,544	2,654	16,668
Utilities	73,456	3,194	3,194	79,844
Bank fees	21,215	1,836	4,375	27,426
Miscellaneous	4,811	1,968	2,432	9,211
	\$ 1,411,191	\$ 729,443	\$ 262,866	\$ 2,403,500

Rocketown of Middle Tennessee, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and wages	\$ 315,508	\$ 229,387	\$ 128,722	\$ 673,617
Employee benefits	21,601	36,271	2,730	60,602
Payroll taxes	19,916	17,530	9,845	47,291
Contract labor	4,308	800	1,385	6,493
Security	24,135	-	-	24,135
Total personnel	385,468	283,988	142,682	812,138
Cost of goods sold	177,295	-	-	177,295
Contributions	876	-	-	876
Depreciation	138,199	6,009	6,009	150,217
Design, photography, printing	614	45	6,827	7,486
Dues and subscriptions	458	5,330	6,642	12,430
Food and entertainment	12,704	2,198	4,231	19,133
Insurance	42,336	1,841	1,841	46,018
IT management	-	28,127	-	28,127
Legal and professional	10,569	65,662	-	76,231
Postage and freight	497	742	4,560	5,799
Repairs and maintenance	64,975	2,804	2,804	70,583
Special events, net	-	-	17,840	17,840
Supplies	27,896	280	280	28,456
Taxes and licenses	38,242	-	-	38,242
Telephone	1,995	19,987	735	22,717
Travel	2,690	1,586	1,917	6,193
Utilities	53,717	2,335	2,335	58,387
Bank fees	13,820	1,124	3,848	18,792
Miscellaneous	165	6,970	2,927	10,062
	\$ 972,516	\$ 429,028	\$ 205,478	\$ 1,607,022

Rocketown of Middle Tennessee, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash, beginning of year	\$ 4,379,354	\$ 4,398,056
Cash flows from operating activities		
Change in net assets	80,784	155,803
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	234,991	150,217
Realized and unrealized gain on endowment, net	4,464	(6,631)
Change in beneficial interest in amounts held by others	669	(748)
Forgiveness of PPP loan	(296,424)	-
Change in:		
Accounts receivable	133,276	(133,973)
Other assets	7,594	(48,000)
Accounts payable	77,321	32,847
Accrued expenses	13,607	(3,668)
Deferred revenues	(3,032)	49,240
Net cash provided (used) by operating activities	253,250	195,087
Cash flows from investing activities		
Payments for the purchase of fixed assets	(4,940,722)	(354,613)
Cash flows from financing activities		
Borrowings on note payable	4,037,500	-
Net proceeds from PPP loan	-	140,824
Net cash provided (used) by financing activities	4,037,500	140,824
Net change in cash	(649,972)	(18,702)
Cash, end of year	\$ 3,729,382	\$ 4,379,354
Reconciliation of cash to statements of financial position		
Cash	\$ 683,382	\$ 579,354
Cash, designated for long-term purposes	3,046,000	3,800,000
	\$ 3,729,382	\$ 4,379,354
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 108,257	\$ -

Rockettown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

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 9,000 square foot indoor skateboarding park; a large state-of-the-art music venue/performance space; another small venue; 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).

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires the Organization to report 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 the Organization's management and 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Accounts Receivable

Included in accounts receivable at June 30, 2021 are employee retention tax credits totaling \$137,825. These credits resulted from filing amended Internal Revenue Service (IRS) forms 941 for periods on or before June 30, 2021 as allowed under the COVID-related Tax Relief Act of 2020. 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 3 to 10 years for equipment and furniture and 5 to 40 years for buildings and improvements.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1. Nature of Organization and Significant Accounting Policies

Inventories

Inventories consist principally of skate park store products and are reported at lower-of-cost (first-in, first-out method) or net realizable value. Inventories at June 30, 2022 and 2021 totaled \$51,532 and \$36,406, respectively and are included in other assets on the statements of financial position.

Designated Cash

Designated cash includes amounts designated by the Board of Directors for use in renovation of the property acquired in Antioch, Tennessee (see notes 4 and 6).

PPP Loans

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 has received two draws on 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. Revenues from product sales, dues, cover charges, session fees, and lessons are substantially recognized when the products are sold and/or the services are provided.

Contributions of Cash and Other Financial Assets

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are reflected in the financial statements only when the services require specialized skills. Supplies and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of the receipt.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

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 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.

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 recordkeeping, 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 supporting services 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
Repairs and maintenance	Square footage
Utilities	Square footage

Recently Issued Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on July 1, 2021.

Reclassifications

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. The total net assets and change in net assets are unchanged due to these reclassifications.

Rockettown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

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, reduced by amounts not available for general expenditures within one year:

	2022	2021
Financial assets		
Cash	\$ 3,729,382	\$ 4,379,354
Accounts receivable	6,401	139,677
Beneficial interest in amounts held by others	4,648	5,317
Endowment fund	<u>21,443</u>	<u>25,907</u>
Total financial assets at year-end	3,761,874	4,550,255
Less amounts not available to be used within one year		
Cash, designated for long-term purposes	(3,046,000)	(3,800,000)
Beneficial interest in amounts held by others	(4,648)	(5,317)
Endowment fund	<u>(21,443)</u>	<u>(25,907)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 689,783	\$ 719,031

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization receives year-round donations from individuals and makes appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the Board of Directors

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 \$4,648 and \$5,317 at June 30, 2022 and 2021, 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.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 4. Fixed Assets and Property Held For Sale

Fixed assets consist of the following:

	2022	2021
Land	\$ 1,330,000	\$ 2,367,032
Buildings and improvements	3,788,168	4,695,161
Machinery and equipment	243,477	194,502
Furniture and fixtures	34,471	16,694
Renovations in process	78,899	-
Less: accumulated depreciation	<u>(285,772)</u>	<u>(1,406,336)</u>
Fixed assets, net	\$ 5,189,243	\$ 5,867,053

On August 3, 2021, the Organization closed on the purchase of property in Antioch, Tennessee for a total of \$4,750,000. This property will become the new ministry center of the Organization once renovations are completed. During the period from August 2021 to March 2022, the inherited tenants continued to rent this retail space resulting in rental income of approximately \$353,000 which is included on the statements of activities as facility rentals and parking. At the end of March 2022, depreciation ceased on the property as the Organization began planning renovations and was no longer holding out the building for rent. As of June 30, 2022, a total of \$78,899 had been spent on planning and design for this new facility.

As of June 30, 2022, the current ministry center is classified as being available for sale at a net book value of \$5,383,541. Depreciation is continuing on the current ministry center since it is still being actively used by the Organization. The Organization has received a letter of intent to purchase the current ministry center. The potential purchaser is now in due diligence process and no closing date has been scheduled.

Note 5. 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.

	2022	2021
Endowment net assets, beginning of year	\$ 25,907	\$ 19,275
Interest and dividends	597	435
Unrealized gains (losses)	(4,803)	6,419
Amounts appropriated for expenditures	<u>(258)</u>	<u>(222)</u>
Endowments net assets, end of year	\$ 21,443	\$ 25,907

Note 6. Note Payable

In conjunction with the purchase of the Antioch property (note 4), the Organization entered into a note payable in the amount of \$4,037,500. The terms of the note include interest only payments at a fixed interest rate of 2.89% until maturity on August 3, 2024.

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 7. 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. A second draw was made on January 29, 2021 for \$140,824. The Organization elected to treat the PPP loan as debt in the financial statements. On July 26, 2021 and November 24, 2022, respectively, the Organization was notified that both draws on the loan had been forgiven by the Small Business Administration.

Note 8. Fair Value Measurements

The Organization has adopted the provisions of the *Fair Value Measurement Topic* of the Financial Accounting Standards Board Accounting Standard Codification, 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.

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, 2022 and 2021.

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

Exchange traded funds (ETFs) 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, 2022:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 297	\$ -	\$ -	\$ 297
Equity ETFs	18,684	-	-	18,684
Fixed income ETFs	<u>2,462</u>	<u>-</u>	<u>-</u>	<u>2,462</u>
Total investments	\$ 21,443	\$ -	\$ -	\$ 21,443

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 8. Fair Value Measurements

Investments and their fair value measurement consist of the following as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 678	\$ -	\$ -	\$ 678
Equity ETFs	23,949	-	-	23,949
Fixed income ETFs	<u>1,280</u>	<u>-</u>	<u>-</u>	<u>1,280</u>
Total investments	\$ 25,907	\$ -	\$ -	\$ 25,907

Note 9. Net Assets with Donor Restrictions

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

	2022	2021
Subject to the passage of time or expenditure for specified purpose		
Program support	\$ -	\$ 19,478
Endowment Funds		
Original gifts and required retained earnings		
Youth programs	15,000	15,000
Accumulated income	<u>6,443</u>	<u>10,906</u>
Total endowment funds	<u>21,443</u>	<u>25,906</u>
Net assets with donor restrictions	\$ 21,443	\$ 45,384

Note 10. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets totaled \$47,375 and \$13,351 for the years ended June 30, 2022 and 2021, respectively. The contributions have been included in revenues and expenses without donor restrictions in the financial statements. The contributions consisted of food and supplies donated for the Organization's program services and are valued based on the estimated purchase price of comparable items.

Note 11. Special Events

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

	2022	2021
Gross special events expense	\$ 97,578	\$ 33,059
Direct benefits to donors	<u>(54,640)</u>	<u>(15,219)</u>
Special events, net	\$ 42,938	\$ 17,840

Rocketown of Middle Tennessee, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 12. 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 \$24,075 and \$16,675 as expense under this plan during the years ended June 30, 2022 and 2021, respectively. These amounts were included in the statements of functional expenses as employee benefits.

Note 13. Concentrations

The Organization had bank deposits in a financial institution that were approximately \$3,490,000 and \$4,133,000 in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation at June 30, 2022 and 2021, respectively.

Note 14. Subsequent Events

Management has evaluated subsequent events through January 6, 2023, the date on which the financial statements were available to be issued.