

# **ADVENTURE SCIENCE CENTER – NASHVILLE**

## **FINANCIAL STATEMENTS**

***As of and for the Years Ended June 30, 2020 and 2019***

***And Report of Independent Auditor***

**ADVENTURE SCIENCE CENTER – NASHVILLE**  
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## **Report of Independent Auditor**

To the Board of Trustees  
Adventure Science Center – Nashville  
Nashville, Tennessee

We have audited the accompanying financial statements of Adventure Science Center – Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Adventure Science Center – Nashville as of June 30, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 20, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Effective March 13, 2020, Adventure Science Center – Nashville temporarily closed, including cancellation of scheduled events. The Center reopened in June 2020, however, operations continue to be negatively impacted by the effects of COVID-19. The total financial impact and duration cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Handwritten signature of Cheryl Beckett in cursive script.

Nashville, Tennessee  
December 1, 2020

**ADVENTURE SCIENCE CENTER – NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2020 AND 2019*

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 420,260	\$ 704,868
Accounts and pledges receivable, net	174,675	228,271
Prepaid expenses	211,213	237,477
Inventory	93,030	48,491
Investments	2,128,684	2,240,954
Restricted cash and cash equivalents	56,659	72,075
Property and equipment, net of accumulated depreciation	13,882,797	14,748,367
Other assets, net of accumulated amortization	50,553	75,935
Beneficial interest in charitable remainder unitrust, net	742,053	751,997
<b>Total Assets</b>	<b>\$ 17,759,924</b>	<b>\$ 19,108,435</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 131,779	\$ 215,972
Accrued expenses	262,233	491,821
Line of credit	100,000	-
Deferred revenue	650,910	698,215
Deferred grant revenue	607,000	-
Note payable	713,811	828,228
<b>Total Liabilities</b>	<b>2,465,733</b>	<b>2,234,236</b>
Net Assets:		
Without Donor Restrictions:		
Undesignated	12,218,638	13,589,754
Board-designated endowment	1,778,960	1,878,390
<b>Total Without Donor Restrictions</b>	<b>13,997,598</b>	<b>15,468,144</b>
With Donor Restrictions	1,296,593	1,406,055
<b>Total Net Assets</b>	<b>15,294,191</b>	<b>16,874,199</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,759,924</b>	<b>\$ 19,108,435</b>

The accompanying notes to the financial statements are an integral part of these statements.

**ADVENTURE SCIENCE CENTER – NASHVILLE**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Fees and admissions	\$ 2,508,981	\$ -	\$ 2,508,981
Gifts, appropriations, and private grants	1,653,770	152,303	1,806,073
Science Center shop	286,905	-	286,905
Investment return	(36,430)	11,463	(24,967)
Other income	26,277	-	26,277
Change in value of beneficial interest in charitable remainder unitrust	-	(9,944)	(9,944)
Net assets released from restrictions	263,284	(263,284)	-
<b>Total Revenue</b>	<b>4,702,787</b>	<b>(109,462)</b>	<b>4,593,325</b>
Expenses:			
Program services	4,694,220	-	4,694,220
Management and general	767,528	-	767,528
Fundraising	711,585	-	711,585
<b>Total Expenses</b>	<b>6,173,333</b>	<b>-</b>	<b>6,173,333</b>
Change in net assets	(1,470,546)	(109,462)	(1,580,008)
Net assets, beginning of year	15,468,144	1,406,055	16,874,199
Net assets, end of year	<u>\$ 13,997,598</u>	<u>\$ 1,296,593</u>	<u>\$ 15,294,191</u>

The accompanying notes to the financial statements are an integral part of this statement.

**ADVENTURE SCIENCE CENTER – NASHVILLE**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Fees and admissions	\$ 3,635,106	\$ -	\$ 3,635,106
Gifts, appropriations, and private grants	1,542,612	1,884,877	3,427,489
Science Center shop	501,135	-	501,135
Investment return	94,466	18,902	113,368
Other income	35,591	-	35,591
Change in value of beneficial interest in charitable remainder unitrust	-	14,960	14,960
Net assets released from restrictions	1,963,398	(1,963,398)	-
<b>Total Revenue</b>	<b>7,772,308</b>	<b>(44,659)</b>	<b>7,727,649</b>
Expenses:			
Program services	5,726,124	-	5,726,124
Management and general	739,765	-	739,765
Fundraising	812,722	-	812,722
<b>Total Expenses</b>	<b>7,278,611</b>	<b>-</b>	<b>7,278,611</b>
Change in net assets	493,697	(44,659)	449,038
Net assets, beginning of year	14,974,447	1,450,714	16,425,161
Net assets, end of year	<u>\$ 15,468,144</u>	<u>\$ 1,406,055</u>	<u>\$ 16,874,199</u>

The accompanying notes to the financial statements are an integral part of this statement.

**ADVENTURE SCIENCE CENTER – NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2020*

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 1,677,525	\$ 536,646	\$ 412,680	\$ 2,626,851
Employee taxes and benefits	312,737	100,340	78,759	491,836
Total Payroll and Related Expenses	1,990,262	636,986	491,439	3,118,687
Exhibits and programs	242,028	3,329	12,702	258,059
Advertising	253,051	-	125	253,176
Equipment costs - maintenance	206,887	13,311	11,742	231,940
Utilities	194,521	-	-	194,521
Building maintenance and facility rental	181,658	1,135	-	182,793
Gift shop - cost of sales	153,299	-	-	153,299
Other expenses	78,492	19,794	21,959	120,245
Credit card fees	65,520	-	29,440	94,960
Insurance	32,133	45,091	7,167	84,391
Professional fees and dues	22,424	39,968	21,791	84,183
Food, beverage, and other	-	-	53,281	53,281
Printing	17,269	-	22,517	39,786
Interest	28,233	-	-	28,233
Telephone and communications	25,967	-	-	25,967
Bad debt expense	-	-	20,616	20,616
Postage and shipping	841	822	13,194	14,857
Travel and mileage	7,336	84	2,855	10,275
Conferences and meetings	4,124	2,842	1,910	8,876
Supplies	6,678	951	177	7,806
Memberships and dues	316	1,654	670	2,640
Bank fees	-	1,561	-	1,561
Total Functional Expenses Before Depreciation and Amortization	3,511,039	767,528	711,585	4,990,152
Depreciation and amortization	1,183,181	-	-	1,183,181
Total Functional Expenses	<u>\$ 4,694,220</u>	<u>\$ 767,528</u>	<u>\$ 711,585</u>	<u>\$ 6,173,333</u>

The accompanying notes to the financial statements are an integral part of this statement.



**ADVENTURE SCIENCE CENTER – NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2019*

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 1,851,689	\$ 517,357	\$ 523,842	\$ 2,892,888
Employee taxes and benefits	292,913	84,120	65,502	442,535
Total Payroll and Related Expenses	2,144,602	601,477	589,344	3,335,423
Exhibits and programs	797,528	1,861	613	800,002
Advertising	309,145	-	-	309,145
Equipment costs - maintenance	258,589	23,005	17,988	299,582
Building maintenance and facility rental	273,512	348	11	273,871
Gift shop - cost of sales	256,261	-	-	256,261
Utilities	223,150	-	-	223,150
Other expenses	111,321	1,302	38,423	151,046
Professional fees and dues	77,046	38,418	9,223	124,687
Credit card fees	74,466	(15)	31,914	106,365
Insurance	29,775	47,053	6,784	83,612
Food, beverage, and other	-	-	48,161	48,161
Printing	10,112	-	23,198	33,310
Interest	31,981	-	-	31,981
Telephone and communication	25,295	-	-	25,295
Travel and mileage	10,326	4,465	7,123	21,914
Postage and shipping	1,473	935	16,626	19,034
Bad debt expense	-	-	18,530	18,530
Membership and dues	1,149	12,866	1,137	15,152
Supplies	11,214	2,424	959	14,597
Conferences and meetings	9,274	1,357	2,688	13,319
Bank fees	-	4,269	-	4,269
Total Functional Expenses Before Depreciation and Amortization	4,656,219	739,765	812,722	6,208,706
Depreciation and amortization	1,069,905	-	-	1,069,905
Total Functional Expenses	<u>\$ 5,726,124</u>	<u>\$ 739,765</u>	<u>\$ 812,722</u>	<u>\$ 7,278,611</u>

The accompanying notes to the financial statements are an integral part of this statement.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,580,008)	\$ 449,038
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term purposes	(109,803)	(1,859,877)
Depreciation and amortization	1,183,181	1,069,905
Change in value of beneficial interest in charitable remainder unitrust	9,944	(14,960)
Net loss (gain) on investments	76,743	(45,189)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	92,280	(50,324)
Prepaid expenses	26,264	290,451
Inventory	(44,539)	(4,869)
Accounts payable	(84,193)	(33,063)
Accrued expenses	(229,588)	69,345
Deferred revenue	(47,305)	65,556
Deferred grant revenue	607,000	-
Net cash used in operating activities	<u>(100,024)</u>	<u>(63,987)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(292,229)	(1,721,117)
Purchase of investments	(890,126)	(5,040,263)
Proceeds from sale and maturities of investments	925,653	5,172,444
Net cash used in investing activities	<u>(256,702)</u>	<u>(1,588,936)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term purposes	71,119	1,851,704
Proceeds from borrowings on line of credit	200,000	-
Principal payments on notes payable	(214,417)	(152,189)
Net cash provided by financing activities	<u>56,702</u>	<u>1,699,515</u>
Net (decrease) increase in cash and cash equivalents	(300,024)	46,592
Cash and cash equivalents, beginning of year	776,943	730,351
Cash and cash equivalents, end of year	<u>\$ 476,919</u>	<u>\$ 776,943</u>
<b>Cash and cash equivalents consist of the following:</b>		
Cash and cash equivalents	\$ 420,260	\$ 704,868
Restricted cash and cash equivalents	56,659	72,075
	<u>\$ 476,919</u>	<u>\$ 776,943</u>

The accompanying notes to the financial statements are an integral part of these statements.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 1—Nature of activities**

Adventure Science Center-Nashville (the “Center”) is a nonprofit corporation organized exclusively to open every mind to the wonders of science and technology, fostering a better understanding of ourselves and the world around us. The Center provides an inspiring, immersive, hands-on learning environment for visitors of all ages to explore the integration of science, technology, engineering, arts, and math (collectively, “STEAM”). The Center’s methods of achieving its purpose include more than 50,000 square feet of exhibits combined with a broad variety of educational activities that take place both on- and off-site. Over the last several years, the Center has transformed several of its exhibit areas including a new virtual reality studio. During the year ended June 30, 2020, the Center opened soundBox, a sound and music exhibit which includes 15 interactive stations. The Center is the only of its kind in a 200-mile radius, from which its visitors are primarily drawn. The Center relies on funding from private contributions, local appropriations, grants, program fees, annual memberships, and general admission fees to support its operations.

### **Note 2—Summary of significant accounting policies**

The accompanying financial statements present the financial position and results of operations of the Center in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). A summary of the significant accounting policies utilized in the preparation of these financial statements follows:

*Basis of Presentation* – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

*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 Center. These net assets may be used at the discretion of the Center’s management and the board of directors. Net assets without donor restrictions may be designated for specific purpose by action of the board of directors. Presently, net assets designated by the board are for future needs and the benefits of certain programs.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents and Restricted Cash and Cash Equivalents* – The Center considers all cash accounts and highly liquid investments with an original maturity when purchased of three months or less to be cash and cash equivalents. Cash and cash equivalents in investment accounts designated for long-term purposes, or restricted for major construction projects, are excluded from the definition of cash and cash equivalents. Restricted cash and cash equivalents consist of contributions received with donor-imposed restrictions limiting their use to long-term purposes.

*Inventory* – Inventory consists primarily of gift shop inventory and is valued at lower of cost (first-in, first-out method) or net realizable value.

## ADVENTURE SCIENCE CENTER – NASHVILLE

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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#### **Note 2—Summary of significant accounting policies (continued)**

*Investments* – In accordance with standards of accounting for investments prescribed for not-for-profit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities. Fair values are based on the quoted market price on the last business day of the fiscal year. Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets, and ordinary income from investments are accounted for in net assets without donor restrictions unless restricted by the donor.

*Fair Value Measurements* – The Center has an established process for determining fair value. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. U.S. GAAP has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

*Level 1* – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

*Property and Equipment* – Property and equipment is reported at cost at the date of purchase or at estimated fair value at the date of gift. Depreciation and amortization are calculated by the straight-line method to allocate the cost of depreciable assets over their estimated useful lives starting in the period in which the assets are placed in service. Interest cost on outstanding borrowings is capitalized as part of the cost of acquiring qualifying assets, if significant, during the period required to prepare such assets for intended use.

*Revenue Recognition* – Unconditional promises to give are recorded as assets at their estimated realizable value when received and are generally available for unrestricted use in the related year unless specifically restricted by the donor. An allowance for uncollectible accounts is provided based on past experience with collections and estimated collectability of current receivables. Uncollectible accounts are charged against the allowance in the period they are determined to be uncollectible. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, unless resulting income streams are not predictable. The discount on those amounts is computed using an interest rate commensurate with the risks involved at the time the pledge is initially recognized. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

## ADVENTURE SCIENCE CENTER – NASHVILLE

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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#### **Note 2—Summary of significant accounting policies (continued)**

Contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that prescribe or limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Revenue from the sale of tickets to special events, reservations for school programs, camps, and tickets to the planetarium for dates after the end of the year is deferred as unearned revenue. Admission fees are recognized as services are rendered. Membership revenues are recognized ratably over the term of the membership and are included in gifts, appropriations, and private grants on the accompanying statements of activities.

*Donated Materials and Services* – Donated materials are recorded as gifts in the period received at 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, is performed by a donor who possesses such skills, and would have been purchased by the Center if not donated. Such services are recognized at fair value as support and expense in the period the services are performed. There were no significant donated materials and services during the years ended June 30, 2020 and 2019.

Unpaid volunteers have made significant contributions of their time to assist the Center in implementing various programs and exhibits. The value of contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation and generally does not comply with specialized skill requirements necessary to record such volunteer services by professional standards. However, during the years ended June 30, 2020 and 2019, volunteers provided approximately 6,100 and 7,500 hours of service, respectively, to various Center programs.

*Functional Allocation of Expenses* – The following program and supporting services are included in the accompanying financial statements:

*Program Services* – Includes costs of activities carried out to fulfill the Center's mission, resulting in services being provided to beneficiaries, customers, and members. Program services are the major purpose for the Center. The Center's program services include exhibit activities, educational and public programs, planetarium operations, advertising, and media costs directly related to programs and exhibits, and the cost of operating the Center's gift shop.

*Management and General* – Relates to the overall direction of the Center. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the Center. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

*Fundraising* – Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation as well as creation and distribution of fundraising materials. These costs also include membership development.

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that have been allocated consist primarily of salaries and related expenses and have been allocated based on time and effort.

## ADVENTURE SCIENCE CENTER – NASHVILLE

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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#### **Note 2—Summary of significant accounting policies (continued)**

*Advertising Costs* – The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to \$253,176 and \$309,145, respectively, during the years ended June 30, 2020 and 2019.

*Income Taxes* – The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, federal income taxes have not been recorded in the accompanying financial statements.

The Center follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Center has no tax penalties or interest reported in the accompanying financial statements. The Center had no uncertain tax positions at June 30, 2020 and 2019.

*Exhibit Costs* – Costs of long-lived exhibits are capitalized and depreciated over their estimated useful lives. Such costs include allocable payroll costs, representing the time spent by the Center staff in constructing or creating these exhibits.

*Compensated Absences* – Full-time, permanent employees of the Center are granted vacation benefits in varying amounts to specified maximums depending on tenure. Employees are entitled to their balances of accrued vacation leave upon termination. The estimated liability for vested benefits is included in accrued expenses.

*Charitable Remainder Unitrust* – The Center has been named as the charitable beneficiary of a charitable remainder unitrust. A charitable remainder unitrust is a split-interest agreement in which the charitable beneficiary receives its beneficial interest in the donated assets after the designated beneficiary has received benefits for a specified time period (or upon the designated beneficiary's death). At the termination of the agreement, the remaining assets of the unitrust pass to the charitable beneficiary for its use. A contribution with donor restrictions and related asset are recognized in the year the unitrust is established based on the fair value of the assets contributed less the present value of the future payments expected to be made to the designated beneficiary. The expected future payments are based on the actuarial life expectancy of the income recipient using a discount rate adjusted annually. Discount amortization and any revaluations of expected future payments to the beneficiaries are recognized as periodic adjustments to the asset. Corresponding changes in the value of the split interest agreement are recognized currently and included in contributions with donor restrictions.

*Endowment Funds* – U.S. GAAP requires that a nonprofit organization classify the portion of a donor-restricted endowment fund that is not restricted in perpetuity by the donor or by law as net assets with donor restrictions (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, net assets with donor restrictions are reclassified to net assets without donor restrictions. The guidance also requires additional disclosures applicable to all not-for-profit organizations.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 2—Summary of significant accounting policies (continued)**

Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e., the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

*Subsequent Events* – The Center evaluated subsequent events through December 1, 2020, when these financial statements were available to be issued.

*Recently Adopted Accounting Pronouncements* – In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Center evaluated the new standard and determined that the accounting standard did not require a change to the Center's practices for recording contributions.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard was adopted for the year ended June 30, 2020.

*Future Pronouncements* – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under accounting standards generally accepted in the United States under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will be effective for the Center on July 1, 2020. The Center is currently evaluating the effect of the implementation of this new standard.

### **Note 3—Liquidity and availability of resources**

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 3—Liquidity and availability of resources (continued)

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the statement of financial position, comprise the following at June 30:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 420,260	\$ 704,868
Accounts and pledges receivable, net	174,675	228,271
Investments	2,128,684	2,240,954
Restricted cash and cash equivalents	56,659	72,075
Beneficial interest in charitable remainder unitrust, net	742,053	751,997
Total financial assets	3,522,331	3,998,165
Less amounts not available to be used for general expenditures within one year:		
Assets subject to designations	1,778,960	1,878,390
Assets subject to restrictions	1,296,593	1,406,055
Total amounts not available to be used for general expenditures within one year	3,075,553	3,284,445
Financial assets available to meet cash needs for general expenditures within one year	\$ 446,778	\$ 713,720

Board-designated endowment of \$1,778,960 and \$1,878,390 at June 30, 2020 and 2019, respectively, is subject to the Center's spending policy, as described in Note 15. The Center does not intend to spend from the board-designated endowment other than amounts appropriated for general expenditures in accordance with the spending policy, and has deducted the funds from financial assets available in the table above. However, these amounts could be made available if necessary.

### Note 4—Accounts and pledges receivable

Accounts and pledges receivable are primarily composed of unconditional promises to give and are collectible over the following periods at June 30:

	2020	2019
Less than one year	\$ 113,208	\$ 141,904
One to five years	53,700	89,800
Less allowance for doubtful pledges	(18,750)	(18,530)
Pledges receivable	148,158	213,174
Program related receivables	26,517	15,097
Accounts and pledges receivable, net	\$ 174,675	\$ 228,271



# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 5—Investments

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30:

	2020	2019
Common stocks	\$ 758,838	\$ 834,394
Corporate bonds	738,603	663,339
Mutual funds	513,494	453,210
Short-term investments	77,838	265,820
U.S. government bonds	39,911	24,191
	<u>\$ 2,128,684</u>	<u>\$ 2,240,954</u>

The following schedule summarizes the net investment gain (loss) for the years ended June 30:

	2020	2019
Realized and unrealized (loss) gain	\$ (51,872)	\$ 71,994
Interest and dividends	51,776	68,179
Net realized and unrealized gain (loss)	(96)	140,173
Investment fees	(24,871)	(26,805)
Net investment (loss) gain	<u>\$ (24,967)</u>	<u>\$ 113,368</u>

### Note 6—Beneficial interest in trust

The Center has been named as a beneficiary of a charitable remainder unitrust, held and administrated by a third party. The Center receives the balance of the assets remaining in the trust upon termination of the trust. In the event that the amount distributed to the Center exceeds \$250,000, the funds are to be used for building improvements, additions to the Center, and/or for permanent exhibits. Based upon earnings at an estimated rate of 5% over the life of the trust, 5% annual distribution to an unrelated specified beneficiary over their lifetime, and a 2.73% discount rate, the estimated present value of future benefits expected to be received by the Center totaled \$742,053 and \$751,997 as of June 30, 2020 and 2019, respectively. The beneficial interest in trust is considered a Level 3 asset. The following table sets forth a summary of changes in the fair value of the beneficial interest in trust for the years ended June 30:

	2020	2019
Balance, beginning of year	\$ 751,997	\$ 737,037
Change in fair value	(9,944)	14,960
Balance, end of year	<u>\$ 742,053</u>	<u>\$ 751,997</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 7—Property and equipment

Property and equipment consists of the following at June 30:

	Estimated Useful Lives	2020	2019
Buildings	5 - 40 years	\$ 18,812,260	\$ 18,785,573
Equipment and exhibits	3 - 30 years	13,952,981	13,840,570
		32,765,241	32,626,143
Less accumulated depreciation		(18,882,444)	(17,877,776)
		<u>\$ 13,882,797</u>	<u>\$ 14,748,367</u>

Fully depreciated assets amounted to approximately \$11,500,000 and \$9,640,000, respectively, at June 30, 2020 and 2019. Land on which the Center's main building and parking lots are located is leased through the year 2065 from the Metropolitan Board of Parks and Recreation of the Metropolitan Government of Nashville and Davidson County, Tennessee, for one dollar per year. The Center has the option to renew the lease at expiration for an additional 50 years at the same terms.

### Note 8—Other assets

Other assets consist of the following at June 30:

	2020	2019
Planetarium shows	\$ 786,258	\$ 786,258
Less accumulated amortization	(735,705)	(710,323)
	<u>\$ 50,553</u>	<u>\$ 75,935</u>

Costs to develop planetarium shows have been capitalized and included in other assets in the accompanying statements of financial position. The costs are being amortized over 10 years, the expected life of the shows.

### Note 9—Collections

In conformity with the practice followed by many museums, collection items purchased and donated are not capitalized in the statements of financial position. The value of collection items acquired by gift cannot be reasonably estimated and has not been recognized in the statements of activities. The cost of collection items purchased is reported under exhibits and programs expense. There were no material collection items purchased or donated during the years ended June 30, 2020 and 2019.

## ADVENTURE SCIENCE CENTER – NASHVILLE

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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#### **Note 10—Trust fund**

The Sudekum Memorial Trust (the “Trust”) is required to distribute net income and principal to be used for the primary purpose of ongoing capital expenditures, both those of a routine and periodic nature, as well as unexpected and extraordinary expenditures, and the cost to develop, produce, lease, and purchase programs to be displayed in the planetarium. The Trust is obligated to distribute a minimum of 3.5% of the net fair value of Trust assets to the Center each year. The Trust is governed by a committee of five Trustees, including the Center’s board chair, who also serves as the Trust’s chair; another member of the Center’s Board of Trustees, two Trust family members, and a lifetime member (general counsel). Distributions, which amounted to \$-0- and \$106,435 in 2020 and 2019, respectively, are recorded in gifts, appropriations, and private grants. The Trustees have full discretion as to the timing of distributions and may elect to use Trust funds for another purpose. Accordingly, contribution support is recorded when distributions are received or a pledge to distribute funds has been made. Trust assets are not reported in the Center’s statements of financial position.

#### **Note 11—Line of credit**

At June 30, 2020, the Center had available a \$500,000 revolving line of credit with a bank. Payments of interest only at a variable rate (3.25% at June 30, 2020), are due monthly. The line of credit is due on demand and may be terminated by the bank at any time. Total outstanding borrowings under the line of credit were \$100,000 at June 30, 2020. The line of credit is secured by a negative pledge agreement. The Center is required to maintain a zero balance on the line of credit for at least one 30 consecutive day period during each consecutive twelve month or 364 day period.

#### **Note 12—Deferred grant revenue**

Deferred grant revenue primarily consists of the proceeds from a Paycheck Protection Program loan (“PPP loan”). The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Center does not overcome certain barriers within the CARES Act. The Center has deferred recognition of grant revenue for the year ended June 30, 2020, because the conditions for forgiveness have not yet been substantially met, however, the Center believes it will substantially meet the conditions required for forgiveness in the following year.

#### **Note 13—Note payable**

In December 2018, the Center obtained a note payable from a financial institution. The note provided for interest at 3.50% and required 59 consecutive monthly installments of principal and interest beginning January 2019 with a final payment equal to unpaid principal and interest in December 2023. In March 2020, the Center entered into an amendment to the note payable. The amended note provides for interest at 3.50% and provides for 12 consecutive payments of accrued interest starting in March 2020 followed by 32 consecutive monthly installments of principal and interest beginning in March 2021. A final payment equal to unpaid principal and interest is due in December 2023. The note contains certain financial covenants. Management believes the Center was in compliance with these covenants at June 30, 2020. Total interest expense for the years ended June 30, 2020 and 2019 was \$28,233 and \$31,981, respectively. The note is secured by a negative pledge agreement.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 13—Note payable (continued)

Scheduled principal maturities are as follows at June 30, 2020:

#### Years Ending June 30,

2021	\$ 62,154
2022	254,117
2023	263,156
2024	134,384
	<u>\$ 713,811</u>

### Note 14—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30:

	<u>2020</u>	<u>2019</u>
Beneficial interest in charitable remainder unitrust	\$ 742,053	\$ 751,997
Endowment for staff development	299,679	309,893
Pledges	148,158	213,174
Scholarships	50,045	52,671
BodyQuest	-	45,827
Other	56,658	32,493
	<u>\$ 1,296,593</u>	<u>\$ 1,406,055</u>

### Note 15—Endowment

The Center's endowment was established to further its programs. The endowment comprises funds designated by the Board of Trustees to function as endowments and donor funds designated as an endowment for staff development. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Center has interpreted UPMIFA as requiring that the Center classify as net assets with donor restriction a) the original value of donor-restricted gifts to the endowment, b) the original value of subsequent donor-restricted gifts to the endowment, and c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction is classified as net assets with donor restriction until those amounts are approved for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 15—Endowment (continued)

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	\$ -	\$ 299,679	\$ 299,679
Board designated	1,778,960	-	1,778,960
Total endowment funds	<u>\$ 1,778,960</u>	<u>\$ 299,679</u>	<u>\$ 2,078,639</u>

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	\$ -	\$ 309,893	\$ 309,893
Board designated	1,878,390	-	1,878,390
Total endowment funds	<u>\$ 1,878,390</u>	<u>\$ 309,893</u>	<u>\$ 2,188,283</u>

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,878,390	\$ 309,893	\$ 2,188,283
Investment return, net	(36,430)	9,943	(26,487)
Appropriations for expenditure	(63,000)	(20,157)	(83,157)
Endowment net assets, end of year	<u>\$ 1,778,960</u>	<u>\$ 299,679</u>	<u>\$ 2,078,639</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 15—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,983,925	\$ 284,603	\$ 2,268,528
Investment return, net	94,465	15,335	109,800
Contributions	-	25,000	25,000
Appropriations for expenditure	(200,000)	(15,045)	(215,045)
Endowment net assets, end of year	<u>\$ 1,878,390</u>	<u>\$ 309,893</u>	<u>\$ 2,188,283</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 the Center to retain as a fund of perpetual duration. In accordance with U.S. GAAP, any deficiencies of this nature are reported in net assets with donor restrictions. There were no donor restricted endowment funds with balances below amounts required to retain perpetual balances at June 30, 2020 or 2019.

The Center has adopted investment and spending policies for endowment assets that attempt to preserve the capital and maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to provide a real total return, net of investment management fees, which will grow principal and cash flow. Actual returns in any given year may vary. To satisfy its long-term rate-of-return objectives, the Center's investment policy allows for funds to be invested in accordance with five approved models. Within those models, the policy specifies an asset allocation with an approved range of fixed income and equities. Investment in any one security is not permitted to exceed 5% of the market value of the portfolio, with the exception of donated stock.

### Note 16—Concentrations

Financial instruments that potentially subject the Center to concentrations of credit risk consist of cash and investments.

The Center maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes the Center is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2020 and 2019 totaled \$222,431 and \$504,083, respectively.

Investments are subject to market risk. Money market funds held in the investment account are uninsured. Risk related to equity and debt investments is mitigated by diversification of the portfolio among issuers and industries.

During the year ended June 30, 2020, the Center received approximately 24% of contribution revenue from two donors. During the year ended June 30, 2019, the Center received approximately 29% of contribution revenue from one donor.

### Note 17—Employee benefit plan

The Center provides its employees with a 401(k) retirement plan (the "Plan"). Employees are eligible to contribute to the Plan upon reaching age 18 and completing three months of qualified service. Employees are eligible to receive matching and discretionary contributions upon reaching age 21 and completing one year of qualified service. For the years ended June 30, 2020 and 2019, the Center provided a discretionary matching contribution of \$30,518 and \$27,975, respectively.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 18—Commitments

The Center leases certain office equipment under noncancelable agreements expiring at various times through March 2024. Rent expense for all operating leases for 2020 and 2019 totaled \$12,382 and \$16,880, respectively. During the year ended June 30, 2015, the Center entered into a noncancelable agreement for lighting maintenance services that expired March 2020. Maintenance expense related to this agreement for 2020 and 2019 totaled \$25,971 and \$34,965, respectively.

Future minimum commitments under the agreements are as follows as of June 30, 2020:

#### Years Ending June 30,

2021	\$	28,705
2022		9,475
2023		9,475
2024		7,105
	\$	<u>54,760</u>

### Note 19—Supplemental cash flow information

The following is supplemental cash flow information required by U.S. GAAP.

	<u>2020</u>	<u>2019</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ 28,254	\$ 38,801
<b>Supplemental noncash investing and financing activities:</b>		
Change in value of beneficial interest in charitable remainder unitrust	\$ (9,944)	\$ 14,960
Refinancing of note payable	\$ -	\$ 912,422

### Note 20—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. Effective March 13, 2020, the Center temporarily closed, including the cancellation of scheduled events. The Center reopened in June 2020, however, operations continue to be negatively impacted by the effects of COVID-19. Management has taken a number of steps to mitigate the negative financial effects on the Center. However, the rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Center, its performance, and its financial results.