



ADVENTURE SCIENCE CENTER-NASHVILLE

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017 and 2016

And Report of Independent Auditor

ADVENTURE SCIENCE CENTER-NASHVILLE

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Report of Independent Auditor

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

We have audited the accompanying financial statements of Adventure Science Center-Nashville (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to 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 Adventure Science Center-Nashville as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, Adventure Science Center-Nashville restated deferred revenue and net assets at June 30, 2016 and 2015 to record membership revenue ratably over the membership period. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Period Financial Statements

The financial statements as of June 30, 2016, were audited by other auditors whose report dated November 8, 2016, expressed an unmodified opinion on those statements

A handwritten signature in dark ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

December 28, 2017
Nashville, Tennessee

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016 (as restated)
Assets		
Cash and cash equivalents	\$ 1,407,695	\$ 1,840,320
Accounts and pledges receivable, net	259,031	375,812
Prepaid expenses	545,141	171,801
Inventory	86,679	42,019
Investments	2,215,850	2,039,917
Restricted cash and cash equivalents	45,542	423,159
Property and equipment, net of accumulated depreciation	14,344,318	14,344,268
Other assets, net of accumulated amortization	189,319	232,243
Beneficial interest in charitable remainder unitrust, net	696,357	619,748
	<u>\$ 19,789,932</u>	<u>\$ 20,089,287</u>
Total assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 155,019	\$ 271,450
Accrued expenses	337,766	134,729
Deferred revenue	563,957	453,677
Note payable	1,128,741	1,149,516
	<u>2,185,483</u>	<u>2,009,372</u>
Total liabilities		
Net assets:		
Unrestricted:		
Undesignated	14,341,533	14,754,514
Board-designated endowment	1,888,155	1,741,237
Total unrestricted	<u>16,229,688</u>	<u>16,495,751</u>
Temporarily restricted	<u>1,374,761</u>	<u>1,584,164</u>
	<u>17,604,449</u>	<u>18,079,915</u>
Total net assets		
	<u>\$ 19,789,932</u>	<u>\$ 20,089,287</u>
Total liabilities and net assets		

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Fees and admissions	\$ 3,100,527	\$ -	\$ 3,100,527
Gifts, appropriations, and private grants	1,783,863	141,102	1,924,965
Science Center shop	400,892	-	400,892
Interest and dividend income	47,424	8,227	55,651
Other income	29,462	-	29,462
Change in value of beneficial interest in charitable remainder unitrust	-	76,609	76,609
Net gain on investments	99,130	16,349	115,479
Net assets released from restrictions	451,690	(451,690)	-
Total revenue	<u>5,912,988</u>	<u>(209,403)</u>	<u>5,703,585</u>
Expenses:			
Program services	4,836,684	-	4,836,684
Management and general	722,768	-	722,768
Fundraising	619,599	-	619,599
Total expenses	<u>6,179,051</u>	<u>-</u>	<u>6,179,051</u>
Change in net assets	(266,063)	(209,403)	(475,466)
Net assets - beginning of year	<u>16,495,751</u>	<u>1,584,164</u>	<u>18,079,915</u>
Net assets - end of year	<u><u>\$ 16,229,688</u></u>	<u><u>\$ 1,374,761</u></u>	<u><u>\$ 17,604,449</u></u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES (as restated)
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Fees and admissions	\$ 2,882,730	\$ -	\$ 2,882,730
Gifts, appropriations, and private grants (as restated)	1,560,890	804,216	2,365,106
Science Center shop	313,482	-	313,482
Interest and dividend income	44,928	8,491	53,419
Other income	43,498	-	43,498
Change in value of beneficial interest in charitable remainder unitrust	-	(23,268)	(23,268)
Net loss on investments	(42,188)	(4,435)	(46,623)
Net assets released from restrictions	460,079	(460,079)	-
	<u>5,263,419</u>	<u>324,925</u>	<u>5,588,344</u>
Total revenue			
Expenses:			
Program services	4,192,537	-	4,192,537
Management and general	382,085	-	382,085
Fundraising	556,722	-	556,722
	<u>5,131,344</u>	<u>-</u>	<u>5,131,344</u>
Total expenses			
Change in net assets	132,075	324,925	457,000
Net assets - beginning of year (as restated)	16,363,676	1,259,239	17,622,915
Net assets - end of year (as restated)	<u>\$ 16,495,751</u>	<u>\$ 1,584,164</u>	<u>\$ 18,079,915</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u> <u>(as restated)</u>
Cash flows from operating activities:		
Change in net assets	\$ (475,466)	\$ 457,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	-	(541,676)
Provision for bad debt	27,200	-
Depreciation and amortization	946,524	827,240
Loss on disposal of property and equipment	10,947	280
Change in value of beneficial interest in charitable remainder unitrust	(76,609)	23,268
Net (gain) loss on investments	(115,479)	46,623
Changes in operating assets and liabilities:		
Accounts and pledges receivable	89,581	(16,023)
Prepaid expenses	(373,340)	11,827
Inventory	(44,660)	(22,098)
Accounts payable	79,073	(102,113)
Accrued expenses	203,037	5,090
Deferred revenue	110,280	(17,236)
Net cash provided by operating activities	<u>381,088</u>	<u>672,182</u>
Cash flows from investing activities:		
Payments on accounts payable for additions to property and equipment	(207,500)	-
Purchase of property and equipment	(902,601)	(416,048)
Purchase of investments	(2,736,415)	(588,412)
Proceeds from sale of investments	2,675,961	542,869
Decrease (increase) in restricted cash and cash equivalents	<u>377,617</u>	<u>(358,316)</u>
Net cash used in investing activities	<u>(792,938)</u>	<u>(819,907)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	-	320,418
Principal payments on notes payable	<u>(20,775)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(20,775)</u>	<u>320,418</u>
Net (decrease) increase in cash and cash equivalents	(432,625)	172,693
Cash and cash equivalents - beginning of year	<u>1,840,320</u>	<u>1,667,627</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,407,695</u></u>	<u><u>\$ 1,840,320</u></u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – NATURE OF ACTIVITIES

Adventure Science Center-Nashville (the “Center”) is a nonprofit corporation organized exclusively for the purpose of changing lives through extraordinary experiences in science and innovation. 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, a renovated Destination Exploration, and a new wing that houses Space Chase and the state-of-the-art, nationally-known Sudekum Planetarium. 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. 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 accounting principles generally accepted in the United States of America. 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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. The Center had no permanently restricted net assets at June 30, 2017 and 2016.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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.

Contributions of cash and other assets are reported as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

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 and bank-imposed restrictions on certain contributions for use of paying down long-term debt. Unrestricted and restricted cash are typically held in separate bank accounts.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists primarily of gift shop inventory and is valued at lower of cost (first-in, first-out method) or market.

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 the unrestricted and temporarily restricted funds unless permanently 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. Accounting principles generally accepted in the United States of America have 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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016.

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, 2017 and 2016, volunteers provided approximately 9,400 and 5,100 hours of service 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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

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.

Advertising Costs

The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to \$406,724 and \$343,810, respectively, during the years ended June 30, 2017 and 2016.

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, 2017 and 2016.

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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 temporarily restricted contribution 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 temporarily restricted contributions.

Endowment Funds

Accounting principles generally accepted in the United States of America require that a nonprofit organization classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (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, temporarily restricted net assets are reclassified to unrestricted net assets. The guidance also requires additional disclosures applicable to all not-for-profit organizations. 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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Center evaluated subsequent events through December 28, 2017, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – 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:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 164,160	\$ 371,091
One to five years	<u>3,000</u>	<u>5,000</u>
	167,160	376,091
Less allowance for uncollectibles	<u>-</u>	<u>(68,551)</u>
Pledges receivable, net	167,160	307,540
Program related receivables	<u>91,871</u>	<u>68,272</u>
Accounts and pledges receivable, net	<u><u>\$ 259,031</u></u>	<u><u>\$ 375,812</u></u>

At June 30, 2017, 42% of pledges receivable were due from two donors. At June 30, 2016, 77% of pledges receivable was due from two donors.

NOTE 4 – 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:

	<u>2017</u>	<u>2016</u>
Common stocks	\$ 1,205,016	\$ 1,021,008
Corporate bonds	536,674	596,400
U.S. government bonds	397,655	284,154
Short-term investments	42,890	106,685
Mutual funds	<u>33,615</u>	<u>31,670</u>
	<u><u>\$ 2,215,850</u></u>	<u><u>\$ 2,039,917</u></u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 4 – INVESTMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>
Realized gains (losses)	\$ 267,512	\$ (14,026)
Unrealized losses	<u>(129,747)</u>	<u>(11,030)</u>
Net realized and unrealized gains (losses)	137,765	(25,056)
Investment fees	<u>(22,286)</u>	<u>(21,567)</u>
	<u><u>\$ 115,479</u></u>	<u><u>\$ (46,623)</u></u>

NOTE 5 – 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 \$696,357 and \$619,748 as of June 30, 2017 and 2016, respectively. The beneficial interest in trust is considered a Level 3 investment. 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:

	<u>2017</u>	<u>2016</u>
Balance, at beginning of year	\$ 619,748	\$ 643,016
Change in market value	<u>76,609</u>	<u>(23,268)</u>
Balance, at end of year	<u><u>\$ 696,357</u></u>	<u><u>\$ 619,748</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	Estimated Useful Lives	<u>2017</u>	<u>2016</u>
Buildings	5 - 40 years	\$ 18,253,015	\$ 18,049,015
Equipment and exhibits	3 - 30 years	12,130,740	11,402,896
Construction in progress		<u>54,572</u>	<u>278,447</u>
		30,438,327	29,730,358
Less accumulated depreciation		<u>(16,094,009)</u>	<u>(15,386,090)</u>
		<u><u>\$ 14,344,318</u></u>	<u><u>\$ 14,344,268</u></u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 6 – PROPERTY AND EQUIPMENT (Continued)

Fully depreciated assets amounted to approximately \$8,209,000 and \$8,259,000, respectively at June 30, 2017 and 2016. 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 7 – OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Planetarium shows	\$ 784,463	\$ 671,704
Planetarium show – in development	<u>-</u>	<u>85,310</u>
	784,463	757,014
Less accumulated amortization	<u>(595,144)</u>	<u>(524,771)</u>
	<u>\$ 189,319</u>	<u>\$ 232,243</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 8 – COLLECTIONS

In conformity with the practice followed by many museums, collection items purchased and donated are not included 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, 2017 and 2016.

NOTE 9 – 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 period 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 directors, including the Center's board chair, who also serves as the Trust's chair; another member of the Center's board of trustees, two Sudekum family members and a lifetime member (general counsel). Distributions, which amounted to \$212,500 and \$340,259 in 2017 and 2016, respectively, are recorded in gifts, appropriations, and private grants. At June 30,

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 9 – TRUST FUND (Continued)

2017 and 2016, a pledge receivable was also due from the Trust in the amount of \$10,000 and \$222,500, respectively. 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 10 – NOTE PAYABLE

The Center has a note payable to a financial institution that bears interest at a fixed rate of 3.5%. The note requires quarterly interest payments during fiscal years 2016 and 2017, and then quarterly principal payments of \$37,081 plus interest, until January 23, 2020, when the remaining principal and unpaid interest will be due. The note contains certain financial covenants. Management believes the Center was in compliance with these covenants at June 30, 2017. Total interest expense for the years ended June 30, 2017 and 2016 was \$40,426 and \$40,904, respectively. The note is secured by a negative pledge agreement. Scheduled principal maturities are as follows at June 30, 2017:

Year Ending		
<u>June 30,</u>		
2018	\$	148,324
2019		148,324
2020		<u>832,093</u>
	<u>\$</u>	<u>1,128,741</u>

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist principally of contributions restricted for future programs or improvements to existing programs. Significant components including the following at June 30:

	<u>2017</u>	<u>2016</u>
Beneficial interest in charitable remainder unitrust	\$ 696,357	\$ 619,748
Endowment for staff development	270,822	247,953
Other	269,575	266,903
BodyQuest	138,007	181,660
Planetarium	<u>-</u>	<u>267,900</u>
	<u>\$ 1,374,761</u>	<u>\$ 1,584,164</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 12 – 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 accounting principles generally accepted in the United States of America, 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 the UPMIFA as requiring that the Center classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA. 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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 270,822	\$ -	\$ 270,822
Board designated	<u>1,888,155</u>	<u>-</u>	<u>-</u>	<u>1,888,155</u>
Total endowment funds	<u>\$ 1,888,155</u>	<u>\$ 270,822</u>	<u>\$ -</u>	<u>\$ 2,158,977</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 12 – ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 247,953	\$ -	\$ 247,953
Board designated	1,741,237	-	-	1,741,237
Total endowment funds	<u>\$ 1,741,237</u>	<u>\$ 247,953</u>	<u>\$ -</u>	<u>\$ 1,989,190</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,741,237	\$ 247,953	\$ -	\$ 1,989,190
Investment return:				
Investment income	47,421	6,754	-	54,175
Net appreciation	119,005	16,946	-	135,951
Investment fees	(19,508)	(2,778)	-	(22,286)
Total investment return	<u>146,918</u>	<u>20,922</u>	<u>-</u>	<u>167,840</u>
Transfer	-	1,947	-	1,947
Endowment net assets, end of year	<u>\$ 1,888,155</u>	<u>\$ 270,822</u>	<u>\$ -</u>	<u>\$ 2,158,977</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,735,857	\$ 250,758	\$ -	\$ 1,986,615
Investment return:				
Investment income	44,925	6,494	-	51,419
Net depreciation	(20,628)	(516)	-	(21,144)
Investment fees	(18,917)	(2,650)	-	(21,567)
Total investment return	<u>5,380</u>	<u>3,328</u>	<u>-</u>	<u>8,708</u>
Appropriation	-	(6,133)	-	(6,133)
Endowment net assets, end of year	<u>\$ 1,741,237</u>	<u>\$ 247,953</u>	<u>\$ -</u>	<u>\$ 1,989,190</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 12 – ENDOWMENT (Continued)

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 accounting principles generally accepted in the United States of America, any deficiencies of this nature are reported in unrestricted net assets.

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 13 – CONCENTRATIONS OF CREDIT RISK

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, 2017 and 2016 totaled \$1,175,256 and \$2,041,336, 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.

NOTE 14 – 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, 2017 and 2016, the Center provided a discretionary matching contribution of \$30,033 and \$20,504, respectively.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 15 – COMMITMENTS

The Center leases certain office equipment under noncancellable agreements. Rent expense for all operating leases for 2017 and 2016 totaled \$17,099 and \$16,170, respectively. During the year ended June 30, 2015, the Center entered into a noncancellable agreement for lighting maintenance services. Maintenance expense related to this agreement for 2017 and 2016 totaled \$37,793 and \$38,057, respectively.

Future minimum commitments under the agreements are as follows as of June 30, 2017:

Year Ending June 30,	
2018	\$ 47,853
2019	43,787
2020	<u>26,047</u>
	<u>\$ 117,687</u>

NOTE 16 – SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information required by accounting principles generally accepted in the United States of America.

Supplemental Cash Flow Information

	<u>2017</u>	<u>2016</u>
Cash paid during the year for interest	<u>\$ 40,426</u>	<u>\$ 40,904</u>

Supplemental Schedule of Non-Cash Investing and Financing Activities

	<u>2017</u>	<u>2016</u>
Change in value of beneficial interest in charitable remainder unitrust	<u>\$ 76,609</u>	<u>\$ (23,268)</u>
Accounts payable for additions to property and equipment	<u>\$ 11,996</u>	<u>\$ 207,500</u>

NOTE 17 – RESTATEMENT

A correction was made to the June 30, 2016 financial statements. This correction was necessary to revise the Center's revenue recognition policy for memberships, which were previously recognized when received. During the year ended June 30, 2017, management changed its revenue recognition policy to recognize memberships ratably over the membership period of one year. Memberships are included in gifts, appropriations, and private grants in the accompanying statements of activities.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 17 – RESTATEMENT (Continued)

The financial statements for the year ended June 30, 2016 have been restated as follows:

<u>Line Item</u>	<u>As Originally Reported</u>	<u>As Restated</u>	<u>Change</u>
Deferred revenue	\$ 131,427	\$ 453,677	\$ 322,250
Gifts, appropriations, and private grants	2,368,415	2,365,106	(3,309)
Change in net assets, unrestricted	460,309	457,000	(3,309)
Unrestricted net assets – June 30, 2015	16,682,617	16,363,676	(318,941)
Unrestricted net assets – June 30, 2016	16,818,001	16,495,751	(322,250)

SUPPLEMENTARY INFORMATION

ADVENTURE SCIENCE CENTER-NASHVILLE
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,617,379	\$ 335,370	\$ 320,402	\$ 2,273,151
Employee taxes and benefits	274,108	56,118	55,455	385,681
Total payroll and related expenses	1,891,487	391,488	375,857	2,658,832
Exhibits and programs	543,418	14,045	4,945	562,408
Advertising	406,107	-	617	406,724
Professional fees and dues	87,703	171,520	41,063	300,286
Building maintenance and facility rental	214,628	-	356	214,984
Utilities	203,072	-	-	203,072
Gift shop	183,302	-	-	183,302
Equipment costs - maintenance	84,695	22,245	33,962	140,902
Other expenses	90,709	32,096	8,427	131,232
Insurance	29,330	41,279	5,809	76,418
Credit card fees	45,046	-	21,109	66,155
Fundraising events	-	-	59,369	59,369
Printing	14,425	-	34,751	49,176
Interest	40,426	-	-	40,426
Postage and shipping	14,682	1,114	22,154	37,950
Bad debt expense	-	27,200	-	27,200
Telephone and communications	9,197	8,742	-	17,939
Supplies	9,425	3,617	3,530	16,572
Conferences and meetings	8,661	1,659	3,637	13,957
Travel and mileage	8,016	-	2,260	10,276
Memberships and dues	5,831	199	1,753	7,783
Bank fees	-	7,564	-	7,564
Total functional expenses before depreciation and amortization	3,890,160	722,768	619,599	5,232,527
Depreciation and amortization	946,524	-	-	946,524
Total functional expenses	<u>\$ 4,836,684</u>	<u>\$ 722,768</u>	<u>\$ 619,599</u>	<u>\$ 6,179,051</u>

During the year ended June 30, 2017, the Center experienced turnover in the CEO and CFO positions. The costs associated with the turnover, search firm and other related expenses, are included in management and general expenses.

ADVENTURE SCIENCE CENTER-NASHVILLE
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,378,757	\$ 228,029	\$ 287,746	\$ 1,894,532
Employee taxes and benefits	206,099	56,659	50,207	312,965
Total payroll and related expenses	1,584,856	284,688	337,953	2,207,497
Exhibits and programs	450,380	-	8,007	458,387
Advertising	343,714	-	96	343,810
Utilities	188,904	-	-	188,904
Building maintenance and facility rental	184,002	-	465	184,467
Professional fees and dues	73,381	55,876	23,788	153,045
Gift shop	145,237	-	-	145,237
Equipment costs - maintenance	70,398	19,756	34,232	124,386
Other expenses	100,002	4,109	10,954	115,065
Insurance	59,609	8,031	5,749	73,389
Credit card fees	46,693	-	21,890	68,583
Printing	17,400	-	44,726	62,126
Interest	40,904	-	-	40,904
Fundraising events	-	-	34,696	34,696
Postage and shipping	2,563	1,091	27,800	31,454
Travel and mileage	15,675	-	4,353	20,028
Telephone and communications	17,173	-	-	17,173
Supplies	9,538	2,027	1,060	12,625
Conferences and meetings	7,918	1,103	351	9,372
Memberships and dues	6,950	-	602	7,552
Bank fees	-	5,404	-	5,404
Total functional expenses before depreciation and amortization	3,365,297	382,085	556,722	4,304,104
Depreciation and amortization	827,240	-	-	827,240
Total functional expenses	<u>\$ 4,192,537</u>	<u>\$ 382,085</u>	<u>\$ 556,722</u>	<u>\$ 5,131,344</u>