

# **ADVENTURE SCIENCE CENTER – NASHVILLE**

## **FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2021 and 2020*

*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, 2021 and 2020, 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 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, 2021 and 2020, 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.



Nashville, Tennessee  
November 15, 2021

# ADVENTURE SCIENCE CENTER – NASHVILLE

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,340,057	\$ 420,260
Accounts and pledges receivable, net	155,525	174,675
Prepaid expenses	128,345	211,213
Inventory	34,483	93,030
Investments	2,460,683	2,128,684
Restricted cash and cash equivalents	351,612	56,659
Property and equipment, net of accumulated depreciation	12,882,517	13,882,797
Other assets, net of accumulated amortization	25,171	50,553
Beneficial interest in charitable remainder unitrust, net	946,243	742,053
<b>Total Assets</b>	<b>\$ 18,324,636</b>	<b>\$ 17,759,924</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 71,757	\$ 131,779
Accrued expenses	282,362	262,233
Line of credit	-	100,000
Deferred revenue	549,885	650,910
Deferred grant revenue	1,241,674	607,000
Note payable	691,484	713,811
<b>Total Liabilities</b>	<b>2,837,162</b>	<b>2,465,733</b>
Net Assets:		
Without Donor Restrictions:		
Undesignated	11,580,062	12,218,638
Board-designated endowment	2,036,375	1,778,960
<b>Total Without Donor Restrictions</b>	<b>13,616,437</b>	<b>13,997,598</b>
With Donor Restrictions	1,871,037	1,296,593
<b>Total Net Assets</b>	<b>15,487,474</b>	<b>15,294,191</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 18,324,636</b>	<b>\$ 17,759,924</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, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Fees and admissions	\$ 1,709,533	\$ -	\$ 1,709,533
Gifts, appropriations, and private grants	1,636,411	582,973	2,219,384
Science Center shop	278,855	-	278,855
Investment return	253,642	65,871	319,513
Other income	29,100	-	29,100
Change in value of beneficial interest in charitable remainder unitrust	-	204,190	204,190
Net assets released from restrictions	278,590	(278,590)	-
<b>Total Revenue</b>	<b>4,186,131</b>	<b>574,444</b>	<b>4,760,575</b>
Expenses:			
Program services	3,382,272	-	3,382,272
Management and general	765,161	-	765,161
Fundraising	419,859	-	419,859
<b>Total Expenses</b>	<b>4,567,292</b>	<b>-</b>	<b>4,567,292</b>
Change in net assets	(381,161)	574,444	193,283
Net assets, beginning of year	13,997,598	1,296,593	15,294,191
Net assets, end of year	<u>\$ 13,616,437</u>	<u>\$ 1,871,037</u>	<u>\$ 15,487,474</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
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)	-
Total Revenue	4,702,787	(109,462)	4,593,325
Expenses:			
Program services	4,694,220	-	4,694,220
Management and general	767,528	-	767,528
Fundraising	711,585	-	711,585
Total Expenses	6,173,333	-	6,173,333
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	\$ 13,997,598	\$ 1,296,593	\$ 15,294,191

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, 2021*

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 971,794	\$ 520,129	\$ 327,415	\$ 1,819,338
Employee taxes and benefits	174,467	74,931	41,800	291,198
Total Payroll and Related Expenses	1,146,261	595,060	369,215	2,110,536
Advertising	204,843	-	-	204,843
Utilities	182,866	-	-	182,866
Exhibits and programs	152,352	-	1,589	153,941
Equipment costs - maintenance	97,393	46,413	423	144,229
Gift shop - cost of sales	136,602	-	-	136,602
Building maintenance and facility rental	114,625	506	101	115,232
Professional fees and dues	18,219	57,101	8,402	83,722
Insurance	22,141	48,409	6,714	77,264
Credit card fees	56,635	-	14,317	70,952
Other expenses	52,472	5,292	4,423	62,187
Telephone and communications	32,207	-	-	32,207
Interest	26,984	-	-	26,984
Printing	7,320	-	5,426	12,746
Postage and shipping	536	564	7,186	8,286
Conferences and meetings	-	4,757	-	4,757
Bank fees	-	4,297	-	4,297
Supplies	3,071	982	-	4,053
Memberships and dues	116	1,780	1,403	3,299
Travel and mileage	96	-	443	539
Fund raising events	-	-	217	217
Total Functional Expenses Before Depreciation and Amortization	2,254,739	765,161	419,859	3,439,759
Depreciation and amortization	1,127,533	-	-	1,127,533
Total Functional Expenses	<u>\$ 3,382,272</u>	<u>\$ 765,161</u>	<u>\$ 419,859</u>	<u>\$ 4,567,292</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

	Program Services	Management and General	Fundraising	Total
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 communication	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
Membership 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

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 193,283	\$ (1,580,008)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for long-term purposes	(342,239)	(109,803)
Depreciation and amortization	1,127,533	1,183,181
Loss on disposal of property and equipment	1,400	-
Change in value of beneficial interest in charitable remainder unitrust	(204,190)	9,944
Net (gain) loss on investments	(292,549)	76,743
Changes in operating assets and liabilities:		
Accounts and pledges receivable	261,880	92,280
Prepaid expenses	82,868	26,264
Inventory	58,547	(44,539)
Accounts payable	(60,022)	(84,193)
Accrued expenses	20,129	(229,588)
Deferred revenue	(101,025)	(47,305)
Deferred grant revenue	634,674	607,000
Net cash flows from operating activities	<u>1,380,289</u>	<u>(100,024)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(103,271)	(292,229)
Purchase of investments	(2,624,159)	(890,126)
Proceeds from sale and maturities of investments	<u>2,584,709</u>	<u>925,653</u>
Net cash flows from investing activities	<u>(142,721)</u>	<u>(256,702)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term purposes	99,509	71,119
Proceeds (payments) on borrowings on line of credit	(100,000)	200,000
Principal payments on notes payable	<u>(22,327)</u>	<u>(214,417)</u>
Net cash flows from financing activities	<u>(22,818)</u>	<u>56,702</u>
Net change in cash and cash equivalents	1,214,750	(300,024)
Cash and cash equivalents, beginning of year	<u>476,919</u>	<u>776,943</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,691,669</u></u>	<u><u>\$ 476,919</u></u>
<b>Cash and cash equivalents consist of the following:</b>		
Cash and cash equivalents	\$ 1,340,057	\$ 420,260
Restricted cash and cash equivalents	<u>351,612</u>	<u>56,659</u>
	<u><u>\$ 1,691,669</u></u>	<u><u>\$ 476,919</u></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, 2021 AND 2020

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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 exhibits. 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, 2021 AND 2020

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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, 2021 AND 2020

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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, 2021 and 2020.

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, 2021 and 2020, volunteers provided approximately 3,700 and 6,100 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, 2021 AND 2020

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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 \$ 204,843 and \$253,176, respectively, during the years ended June 30, 2021 and 2020.

*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, 2021 or 2020.

*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 and certain part-time 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, 2021 AND 2020

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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 November 15, 2021, when these financial statements were available to be issued.

*Recently Adopted Accounting Pronouncements* – In May 2014, FASB issued Accounting Standards Update ("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. The Center adopted the provisions of ASU 2014-09 as of July 1, 2020, using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of the ASU.

### **Note 3—Revenue recognition**

As discussed above, on July 1, 2020, the Center adopted Accounting Standards Codification ("ASC") 606 using the modified retrospective approach. The Center determined that there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of July 1, 2020. Under ASC 606, revenue is recognized when the Center transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

*Performance Obligations and Revenue Recognition* – A performance obligation is a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when, or as, the performance obligation is satisfied. The contract obligation for fees and admissions and gift shop sales are satisfied at the time these services are provided or when a good is transferred to the customer. The contract performance obligation for memberships is performed over the membership or contract period.

*Admissions Fees and Camps* – A portion of the Center's revenue is derived from the sales of admissions tickets, planetarium shows, and summer camps hosted by the Center. Due to the nature of these transactions, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the admissions ticket is used, or camp is held, the performance obligation is considered to have been met. These transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the good or service purchased.

*Science Center Shop Sales* – A portion of the Center's revenue is derived from gift shop sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sale transaction, and amounts received are recognized as revenue once the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payments in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 3—Revenue recognition (continued)

*Memberships* – A portion of the Center’s revenue is derived from membership sales. These transactions have no variable consideration and one performance obligation. Such revenue is conditioned upon meeting the performance obligation over the term of membership and amounts received are recognized over this term. These transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the good purchased. Membership revenue for the year ended June 30, 2021, amounted to \$656,330 and is included in gifts, appropriations, and private grants on the statement of activities.

*Contract Balance* – Timing differences among revenue recognition may result in contract assts or liabilities. Contract liabilities on the accompanying statements of financial position totaled \$549,885 and \$650,910 as of June 30, 2021 and June 30, 2020, respectively. Deferred revenue represents income from membership dues, camps and educational programs, and gift cards. These items are recorded as deferred revenue when received and recognized over the term of membership, when the camp or educational program is hosted, and when the gift cards are redeemed.

The following table provides information about significant changes in the contract liabilities for the year ended June 30, 2021:

	Membership Dues	Camps and Education	Gift Cards	Other	Total
Deferred revenue, beginning of year	\$ 518,978	\$ 91,437	\$ 28,705	\$ 11,790	\$ 650,910
Revenue recognized that was included in deferred revenue at beginning of year	(518,978)	(91,437)	(5,028)	(11,790)	(627,233)
Increase in deferred revenue due to cash received during the year	287,684	167,285	12,512	58,727	526,208
Deferred revenue, end of year	<u>\$ 287,684</u>	<u>\$ 167,285</u>	<u>\$ 36,189</u>	<u>\$ 58,727</u>	<u>\$ 549,885</u>

### Note 4—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, 2021 AND 2020

### Note 4—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:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,340,057	\$ 420,260
Accounts and pledges receivable, net	155,525	174,675
Investments	2,460,683	2,128,684
Restricted cash and cash equivalents	351,612	56,659
Beneficial interest in charitable remainder unitrust, net	946,243	742,053
Total financial assets	5,254,120	3,522,331
Less amounts not available to be used for general expenditures within one year:		
Assets subject to designations	2,036,375	1,778,960
Assets subject to restrictions	1,871,037	1,296,593
Total amounts not available to be used for general expenditures within one year	3,907,412	3,075,553
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,346,708	\$ 446,778

Board-designated endowment of \$2,036,375 and \$1,778,960 at June 30, 2021 and 2020, 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 5—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:

	2021	2020
Less than one year	\$ 128,874	\$ 113,208
One to five years	20,000	53,700
Less allowance for doubtful pledges	-	(18,750)
Pledges receivable	148,874	148,158
Program related receivables	6,651	26,517
Accounts and pledges receivable, net	\$ 155,525	\$ 174,675



# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 6—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:

	2021	2020
Equity funds	\$ 1,025,189	\$ 758,838
Corporate bonds	657,411	738,603
Exchange traded funds	656,518	513,494
Short-term investments	28,219	77,838
Emerging Market Bond	12,347	-
U.S. government bonds	80,999	39,911
	<u>\$ 2,460,683</u>	<u>\$ 2,128,684</u>

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

	2021	2020
Realized and unrealized gain (loss)	\$ 314,691	\$ (51,872)
Interest and dividends	26,964	51,776
Net realized and unrealized gain (loss)	341,655	(96)
Investment fees	(22,142)	(24,871)
Net investment gain (loss)	<u>\$ 319,513</u>	<u>\$ (24,967)</u>

### Note 7—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 \$946,243 and \$742,053 as of June 30, 2021 and 2020, 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:

	2021	2020
Balance, beginning of year	\$ 742,053	\$ 751,997
Change in fair value	204,190	(9,944)
Balance, end of year	<u>\$ 946,243</u>	<u>\$ 742,053</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 8—Property and equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2021	2020
Buildings	5 - 40 years	\$ 18,820,170	\$ 18,812,260
Equipment and exhibits	3 - 30 years	13,728,236	13,952,981
Construction in progress		120,545	-
		32,668,951	32,765,241
Less accumulated depreciation		(19,786,434)	(18,882,444)
		<u>\$ 12,882,517</u>	<u>\$ 13,882,797</u>

Fully depreciated assets amounted to approximately \$ 11,543,000 and \$11,500,000, respectively, at June 30, 2021 and 2020. 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 9—Other assets

Other assets consist of the following at June 30:

	2021	2020
Planetarium shows	\$ 786,259	\$ 786,258
Less accumulated amortization	(761,088)	(735,705)
	<u>\$ 25,171</u>	<u>\$ 50,553</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 a period of between 5 and 10 years, the expected life of the shows.

### 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 \$140,689 and \$-0- in 2021 and 2020, 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.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 11—Line of credit

At June 30, 2021, 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, 2021), 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 \$-0- and \$100,000 at June 30, 2021 and 2020, respectively. 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. The Center satisfied this requirement for the years ended June 30, 2021 and 2020.

### Note 12—Deferred grant revenue

Deferred grant revenue primarily consists of the proceeds from two Paycheck Protection Program loans ("PPP"). In the year ended June 30, 2020, the Center received a PPP loan of \$607,000 and in the year ended June 30, 2021, the Center received a second PPP loan of \$644,674. 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, 2021, because the conditions for forgiveness have not yet been substantially met. Subsequent to June 30, 2021, the Center received notification of forgiveness of the first PPP loan in the amount of \$607,000. The Center believes it will substantially meet the conditions required for forgiveness of the second loan in the following year.

### Note 13—Note payable

The Center has a note payable from a financial institution that provides for interest at 3.75% with 83-consecutive monthly installments of principal and interest beginning in April 2021. A final payment equal to unpaid principal and interest is due in March 2028. Total interest expense for the years ended June 30, 2021 and 2020 was \$26,984 and \$28,233, respectively. The note is secured by a negative pledge agreement.

Scheduled principal maturities are as follows at June 30, 2021:

#### Years Ending June 30,

2022	\$	91,869
2023		95,374
2024		99,012
2025		102,790
2026		106,712
Thereafter		195,727
	\$	<u>691,484</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 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:

	2021	2020
Beneficial interest in charitable remainder unitrust	\$ 946,243	\$ 742,053
Endowment for staff development	365,093	299,679
Pledges	148,874	148,158
Scholarships	59,215	50,045
Other	351,612	56,658
	<u>\$ 1,871,037</u>	<u>\$ 1,296,593</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 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.

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

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 15—Endowment (continued)

Endowment net asset composition by type of fund as of June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	\$ -	\$ 365,093	\$ 365,093
Board designated	2,036,375	-	2,036,375
Total endowment funds	<u>\$ 2,036,375</u>	<u>\$ 365,093</u>	<u>\$ 2,401,468</u>

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

	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>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,778,960	\$ 299,679	\$ 2,078,639
Investment return, net	257,415	56,166	313,581
Contributions	-	12,484	12,484
Appropriations for expenditure	-	(3,236)	(3,236)
Endowment net assets, end of year	<u>\$ 2,036,375</u>	<u>\$ 365,093</u>	<u>\$ 2,401,468</u>

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

	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>

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, 2021 or 2020.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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### Note 15—Endowment (continued)

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, 2021 and 2020 totaled \$ 1,385,023 and \$222,431, 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.

### 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, 2021 and 2020, the Center provided a discretionary-matching contribution of \$21,578 and \$30,518, respectively.

### 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 2021 and 2020 totaled \$9,688 and \$12,382, respectively.

Future minimum commitments under the agreements are as follows as of June 30, 2021:

#### Years Ending June 30,

2022	\$	10,879
2023		10,879
2024		8,510
	\$	<u>30,268</u>

## ADVENTURE SCIENCE CENTER – NASHVILLE

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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#### Note 19—Supplemental cashflow information

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

	<u>2021</u>	<u>2020</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ 27,005	\$ 28,254
<b>Supplemental noncash investing and financing activities:</b>		
Change in value of beneficial interest in charitable remainder unitrust	\$ 204,190	\$ (9,944)

#### 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.

#### Note 21—Subsequent events

On July 7, 2021, the Center was awarded \$1,264,653 of grant funds through the Shuttered Venue Operator Grant program. These funds can be used for certain allowable costs incurred between March 1, 2020, and December 31, 2021.

In October 2021, the Center filed with the Internal Revenue Service to claim Employee Retention Credits totaling \$310,066 related to the calendar year ended December 31, 2021. These credits will be claimed on future filings of quarterly employment tax returns.

As mentioned in Note 12, on August 30, 2021, the Center received notification of forgiveness of the first PPP loan in the amount of \$597,000 from the Small Business Administration. This amount will be recognized as grant revenue in the year ending June 30, 2022.