

ADVENTURE SCIENCE CENTER-NASHVILLE

FINANCIAL STATEMENTS

June 30, 2007 and 2006

ADVENTURE SCIENCE CENTER-NASHVILLE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Adventure Science Center-Nashville, a Tennessee not-for-profit corporation (the "Center"), as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our 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, 2007 and 2006, the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information on pages 17 and 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

November 26, 2007

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 564,549	\$ 105,201
Accounts and pledges receivable, net	5,700,311	3,716,035
Prepaid expenses	3,553	47,803
Inventory	12,656	12,064
Restricted/designated cash and cash equivalents	597,268	2,041,443
Property and equipment, net of accumulated depreciation	12,392,812	9,046,316
Investments, substantially restricted	3,197,430	2,757,170
Total assets	\$22,468,579	\$17,726,032
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,090,144	\$ 290,156
Accrued expenses	182,896	261,274
Deferred program and exhibit revenue	67,164	58,952
Notes payable	4,643,846	5,667,834
Total liabilities	5,984,050	6,278,216
Net assets:		
Unrestricted - designated for capital replacement	7,665,056	3,742,425
Temporarily restricted	7,196,605	6,082,523
Permanently restricted	1,622,868	1,622,868
Total net assets	16,484,529	11,447,816
Total liabilities and net assets	\$22,468,579	\$17,726,032

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007 With Summarized Comparative Information for 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2007	2006
Revenue:					
Gifts, appropriations, and private grants	\$ 1,706,703	\$ 6,606,289	\$ -	\$ 8,312,992	\$ 4,796,694
Fees and admissions	1,416,036	-	-	1,416,036	1,300,719
Science Center shop	185,266	-	-	185,266	177,688
Interest and dividend income	154,095	-	-	154,095	106,128
Net gain on investments	279,632	-	-	279,632	141,130
Other income	23,912	-	-	23,912	1,367
Net assets released from restrictions	5,046,568	(5,046,568)	-	-	-
Total revenue	8,812,212	1,559,721	-	10,371,933	6,523,726
Expenses:					
Program services	3,680,722	-	-	3,680,722	3,512,539
Management and general	374,852	-	-	374,852	364,743
Fundraising	834,007	-	-	834,007	681,492
Total expenses	4,889,581	-	-	4,889,581	4,558,774
Losses:					
Provision for loss on uncollectible contributions	-	445,639	-	445,639	670,170
Change in net assets	3,922,631	1,114,082	-	5,036,713	1,294,782
Net assets - beginning of year	3,742,425	6,082,523	1,622,868	11,447,816	10,153,034
Net assets - end of year	\$ 7,665,056	\$ 7,196,605	\$ 1,622,868	\$ 16,484,529	\$ 11,447,816

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006 With Summarized Comparative Information for 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2006</u>	<u>2005</u>
Revenue:					
Gifts, appropriations, and private grants	\$ 1,682,342	\$ 3,114,352	\$ -	\$ 4,796,694	\$ 5,134,577
Fees and admissions	1,300,719	-	-	1,300,719	1,044,580
Science Center shop	177,688	-	-	177,688	169,225
Interest and dividend income	106,128	-	-	106,128	74,286
Net gain on investments	141,130	-	-	141,130	33,905
Other income	1,367	-	-	1,367	6,630
Net assets released from restrictions	722,648	(722,648)	-	-	-
 Total revenue	 4,132,022	 2,391,704	 -	 6,523,726	 6,463,203
Expenses:					
Program services	3,512,539	-	-	3,512,539	2,882,808
Management and general	364,743	-	-	364,743	317,371
Fundraising	681,492	-	-	681,492	586,635
 Total expenses	 4,558,774	 -	 -	 4,558,774	 3,786,814
Losses:					
Provision for loss on uncollectible contributions	-	670,170	-	670,170	906,028
 Change in net assets	 (426,752)	 1,721,534	 -	 1,294,782	 1,770,361
Net assets - beginning of year	4,169,177	4,360,989	1,622,868	10,153,034	8,382,673
Net assets - end of year	<u>\$ 3,742,425</u>	<u>\$ 6,082,523</u>	<u>\$ 1,622,868</u>	<u>\$ 11,447,816</u>	<u>\$ 10,153,034</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating activities:		
Change in net assets	\$ 5,036,713	\$ 1,294,782
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for long-term purposes	(6,606,289)	(3,114,352)
Provision for uncollectible contributions	445,639	670,170
Depreciation	980,745	999,219
(Gain) loss on disposition of property and equipment	(20,183)	12,464
Net gain on investments	(279,632)	(141,130)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	122,686	442,658
Prepaid expenses	44,250	(36,948)
Inventory	(592)	2,980
Accounts payable	(24,282)	87,807
Accrued expenses	(78,378)	7,481
Deferred program and exhibit revenue	8,212	12,810
Net cash (used in) provided by operating activities	<u>(371,111)</u>	<u>237,941</u>
Investing activities:		
Proceeds from disposal of property and equipment	40,900	-
Purchase of property and equipment	(3,481,831)	(386,065)
Purchase of investments	(641,846)	(617,184)
Proceeds from sale of investments	481,218	762,476
Decrease (increase) in restricted cash and cash equivalents	<u>1,444,175</u>	<u>(1,483,558)</u>
Net cash used in investing activities	<u>(2,157,384)</u>	<u>(1,724,331)</u>
Financing activities:		
Payments on accounts payable for additions to property and equipment	(41,857)	(224,250)
Proceeds from contributions restricted for investment in property and equipment	4,053,688	2,051,688
Principal payments on notes payable	<u>(1,023,988)</u>	<u>(297,101)</u>
Net cash provided by financing activities	<u>2,987,843</u>	<u>1,530,337</u>
Increase in cash and cash equivalents	459,348	43,947
Cash and cash equivalents - beginning of year	<u>105,201</u>	<u>61,254</u>
Cash and cash equivalents - end of year	<u><u>\$ 564,549</u></u>	<u><u>\$ 105,201</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	<u><u>\$ 236,794</u></u>	<u><u>\$ 251,065</u></u>
Accounts payable for additions to property and equipment	<u><u>\$ 866,127</u></u>	<u><u>\$ 41,857</u></u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – NATURE OF ACTIVITIES

Adventure Science Center-Nashville (“the Center”) is a non-profit corporation organized exclusively for charitable, educational and scientific purposes. The Center, formally the Cumberland Science Museum, serves the community as Adventure Science Center. The Center provides an exciting and didactic environment for visitors of all ages to better understand science, technology, engineering and health through participatory exhibits, demonstrations, and a variety of educational activities and programs including Adventure Tower, BodyQuest and the Sudekum Planetarium. The Sudekum Planetarium closed in January 2007 as part of \$21.4 million expansion project (see Note 11). It is the only center of its kind in a 200-mile radius from which its visitors are primarily drawn. The Center receives funding from private contributions, local appropriations, grants, program fees and admissions.

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 Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. A substantial portion of the Center’s unrestricted net assets has been designated by the Board of Directors for capital replacement.

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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Unconditional promises to give are recorded as assets at their estimated realizable value when obtained 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 collectibility of current receivables. Uncollectible accounts are charged against the allowance in the period 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 the risk-free interest rate in effect 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 and reported in the statement of activities as net assets released from restrictions.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances, money market accounts and certificates of deposit with original maturities of three months or less when acquired and are stated at cost plus accrued interest, which approximates market value. Cash equivalents also include investments in securities on an overnight basis subject to repurchase by the bank in accordance with a repurchase agreement. 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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are recognized in the statement of activities for the year. Fair values are based on 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.

Inventory

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

Property and Equipment

Property and equipment are reported at cost. Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets over their estimated useful lives starting 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 material, 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 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 in fiscal 2007 and 2006. 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, 2007 and 2006, volunteers provided approximately 20,300 and 22,300 hours of service, respectively, to various center programs.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

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

Program services – includes activities carried out to fulfill the Center mission, resulting in services being provided to beneficiaries, customers and members. Program services are the major purpose for the organization. The Center's program services include exhibit activities, life, social, health and physical programs, planetarium operation, 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 organization. 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 organization. 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 and creation and distribution of fundraising materials. They 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.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, federal income taxes are not provided in the accompanying financial statements.

Capitalization of 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.

Advertising Costs

The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to \$419,713 in 2007, and \$286,288 in 2006.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

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 and all accrued vacation leave upon termination. The estimated liability for vested benefits is included in accrued expenses.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements in order to conform with the 2007 presentation.

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:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 3,306,885	\$ 2,447,677
One to five years	4,365,617	2,901,550
Over five years	-	400,000
	<u>7,672,502</u>	<u>5,749,227</u>
Less discount to net present value	<u>(407,457)</u>	<u>(435,018)</u>
	7,265,045	5,314,209
Less allowance for uncollectibles	<u>(1,599,855)</u>	<u>(1,629,298)</u>
Unconditional promises to give, net	5,665,190	3,684,911
Program related receivables	<u>35,121</u>	<u>31,124</u>
Accounts and pledges receivable, net	<u>\$ 5,700,311</u>	<u>\$ 3,716,035</u>

Discounted unconditional promises to give, that are included in accounts and pledges receivable, include \$17,197 restricted for the Engineers' capital improvements and facilities, \$220,595 restricted for the adventure tower capital project, \$1,651,406 restricted for the BodyQuest capital project, \$4,426,605 restricted for planetarium capital project and \$949,242 for other purposes at June 30, 2007. A provision for loss on uncollectible contributions of \$445,639 and \$670,170 has been recorded in the accompanying statement of activities for the year ended June 30, 2007 and 2006, respectively, based on management's evaluation of potential uncollectible promises to give.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 4 – RESTRICTED NET ASSETS

Temporarily restricted

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

	<u>2007</u>	<u>2006</u>
Planetarium	\$ 4,294,600	\$ 2,351,825
BodyQuest	2,246,913	2,702,228
Contributions receivable - other	407,517	534,200
Tennessee Engineering Center	116,638	140,850
Adventure Tower	98,982	319,078
Other	<u>31,955</u>	<u>34,342</u>
	<u>\$ 7,196,605</u>	<u>\$ 6,082,523</u>

Permanently restricted

Permanently restricted net assets consist of contributions whose principal is to be held in perpetuity in accordance with terms prescribed by the donors.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2007</u>	<u>2006</u>	<u>Estimated Useful Lives</u>
Buildings	\$ 7,443,908	\$ 7,444,278	5 - 40 years
Equipment and exhibits	5,103,202	5,190,218	3 - 20 years
Exhibits – construction in progress	<u>5,076,626</u>	<u>964,493</u>	
	17,623,736	13,598,989	
Less accumulated depreciation	<u>(5,230,924)</u>	<u>(4,552,673)</u>	
	<u>\$12,392,812</u>	<u>\$ 9,046,316</u>	

Fully depreciated assets amounted to approximately \$917,477 and \$551,000, at June 30, 2007 and 2006, respectively.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Land lease

Land on which the Center's main building and parking lots are located is leased through the year 2017 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 6 – INVESTMENTS

	2007		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
Cash and equivalents	\$ 151,166	\$ 151,166	\$ -
Stocks	621,819	745,154	123,335
Corporate bonds	217,592	216,427	(1,165)
Government bonds	178,923	177,305	(1,618)
Mutual funds	1,381,432	1,717,416	335,984
Asset backed securities	173,440	170,450	(2,990)
International securities	<u>17,631</u>	<u>19,512</u>	<u>1,881</u>
	<u>\$ 2,742,003</u>	<u>\$ 3,197,430</u>	<u>\$ 455,427</u>
	2006		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
Cash and equivalents	\$ 192,866	\$ 192,866	\$ -
Stocks	470,775	494,690	23,915
Corporate bonds	374,540	372,225	(2,315)
Government bonds	291,082	282,173	(8,909)
Mutual funds	1,159,899	1,320,793	160,894
Asset backed securities	80,182	78,613	(1,569)
International securities	<u>15,859</u>	<u>15,810</u>	<u>(49)</u>
	<u>\$ 2,585,203</u>	<u>\$ 2,757,170</u>	<u>\$ 171,967</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 6 – INVESTMENTS (Continued)

Net gain (loss) on investments consisted of the following for the years ended June 30:

	<u>2007</u>	<u>2006</u>
Realized gains (losses)	\$ 19,808	\$ 61,473
Unrealized (losses) gains	<u>286,199</u>	<u>102,156</u>
Net realized and unrealized gains	306,007	163,629
Investment fees	<u>(26,375)</u>	<u>(22,499)</u>
	<u>\$ 279,632</u>	<u>\$ 141,130</u>

NOTE 7 – TRUST FUND

The Sudekum Trust was established to defray operating expenses of the Sudekum Planetarium through annual contributions from the income of the Trust. Distributions may also be made from Trust principal to defray the cost of capital expenditures related to the Planetarium provided the principal of the Trust is not reduced below a specified balance. The Trust is governed by five directors, including the Center's Board Chair, another designated director and three independent persons. Distributions, which amounted to \$60,000 in 2007 and 2006, are recorded as unrestricted 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 and trust assets are not reported in the Center's statement of financial position.

NOTE 8 – COLLECTIONS

In conformity with the practice followed by many museums, art objects purchased and donated are not included in the statement of financial position.

The value of art objects acquired by gift cannot be reasonably estimated and has not been recognized in the statement of activities.

The cost of art objects purchased is reported under programs and exhibits expense. There were no material art objects purchased or donated during the years ended June 30, 2007 and 2006.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

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

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 9 – CONCENTRATIONS OF CREDIT RISK (Continued)

Pledges receivable consist of individual and corporate contribution pledges. At June 30, 2007, pledges receivable from three corporate and individual donors amounted to \$3,444,874, or 47% of total accounts and pledges receivable by the Center. At June 30, 2006, pledges receivable from three corporate donors amounted to \$3,182,521, or 60% of total accounts and pledges receivable by the Center. Allowances for uncollectible pledges are provided for receivables, with specific emphasis on the unique characteristics of significant campaigns, based on collection history and discrete knowledge of the donor base.

The Center generally maintains its cash balances in one financial institution which, at times, may exceed federally insured limits. Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 per bank. In Management's opinion, the risk is mitigated by the use of a high quality financial institution. Uninsured balances per bank at June 30, 2007 and 2006, were \$1,444,507 and \$1,435,942, respectively.

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

NOTE 10 – 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, 2007 and 2006, the Center provided a discretionary matching contribution of \$30,359 and \$26,406, respectively.

NOTE 11 – CAPITAL CAMPAIGNS

The Center is conducting a capital campaign for a 33,000 square foot expansion project to include new exhibit space interpreting "Sky and Space" and a new, state-of-the-art planetarium. The new planetarium is expected to open Summer 2008 with exhibits to follow in 2009. As of June 30, 2007 the site and building are twenty-eight percent complete. As of June 30, 2007, the Center has net pledges of \$9,282,268, of which \$4,855,663 has been collected. Net pledges have been recognized as revenue. As of this reporting period, construction is on schedule. Cost incurred in these efforts have been expensed as program, advertising and fundraising expenditures, as applicable, amounting to approximately \$42,000 in 2007 and \$11,000 in 2006; or capitalized as construction progress (\$4,956,404 and \$777,658 at June 30, 2007 and 2006, respectively).

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 11 – CAPITAL CAMPAIGNS (Continued)

The Center has significant receivables at June 30, 2007 related to its capital campaign for the BodyQuest exhibit and other related and unrelated renovations. As of June 30, 2007, the Center has net pledges of \$4,856,146, of which \$3,204,740 has been collected. Pledges have been recognized as revenue, net of an allowance for uncollectible pledges of \$981,406.

The Center has received conditional approval of grants from the National Aeronautics and Space Administration ("NASA") amounting to approximately \$1,600,000 to facilitate the purchase of equipment related to completion of the new planetarium. At June 30, 2007, approximately \$416,000 of these grants had been expended and reimbursed by NASA.

NOTE 12 – NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2007</u>	<u>2006</u>
Note payable to bank, matures May 2012 and accrues interest at 6.28%. The loan requires quarterly payments of \$94,796, including interest.	\$ 1,616,345	\$ 1,883,458
Note payable to bank, matures September 2015 and accrues interest at a floating rate (3.12% at June 30, 2007). The loan requires quarterly payments, including interest, through the maturity date. The note payable is secured by an exhibit with a depreciated value of approximately \$1,838,507 and gross pledges receivable of \$1,651,406 at June 30, 2007.	<u>3,027,501</u>	<u>3,784,376</u>
	<u>\$ 4,643,846</u>	<u>\$ 5,667,834</u>

A schedule by year, of aggregate principal maturities of notes payable as of June 30, 2007, follows:

Year ending <u>June 30,</u>	
2008	\$ 653,493
2009	671,771
2010	691,224
2011	711,928
2012	733,963
Thereafter	<u>1,181,467</u>
	<u>\$ 4,643,846</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007 and 2006

NOTE 13 – INTEREST

Total interest expense incurred for the years ended June 30, 2007 and 2006 was \$214,312 and \$250,118, respectively.

NOTE 14 – SUBSEQUENT EVENT

Subsequent to June 30, 2007, the Center entered into a construction loan related to the new planetarium and sky and space wing construction. The loan allows for borrowings up to \$7,000,000 during the construction period. The loan requires interest payments through October 1, 2008, at which time the loan converts to a term loan. Beginning October 1, 2008, the loan requires quarterly principal and interest payments through October 1, 2013.

ADDITIONAL INFORMATION

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,099,884	\$ 115,558	\$ 290,906	\$ 1,506,348
Employee benefits	136,436	17,079	42,379	195,894
Payroll taxes and workers comp.	88,260	12,059	23,822	124,141
 Total payroll and related expenses	 1,324,580	 144,696	 357,107	 1,826,383
 Capital related expense	 117,072	 3,516	 277,604	 398,192
Marketing expenses	315,669	-	-	315,669
Exhibits and programs	230,048	-	172	230,220
Interest	214,312	-	-	214,312
Utilities	128,185	19,605	3,016	150,806
Professional fees and dues	81,148	26,703	38,012	145,863
Building maintenance	101,567	15,534	2,390	119,491
Science Center gift	96,332	-	-	96,332
Insurance	41,940	19,357	3,226	64,523
Fundraising events	-	-	63,841	63,841
Facility rentals	15,880	47,769	-	63,649
Fundraising outsourcing	-	-	46,940	46,940
Printing and publications	28,470	-	8,610	37,080
Equipment costs - main	26,460	6,605	2,960	36,025
Supplies	13,780	8,243	6,264	28,287
Telephone	14,763	6,711	5,368	26,842
Postage and shipping	5,935	710	6,360	13,005
Fundraising expenses	-	-	11,358	11,358
Volunteers	8,086	-	-	8,086
Miscellaneous	1,369	6,281	10	7,660
Travel	3,033	470	769	4,272
 Total functional expenses before depreciation	 2,768,629	 306,200	 834,007	 3,908,836
 Depreciation	 912,093	 68,652	 -	 980,745
 Total functional expenses	 <u>\$ 3,680,722</u>	 <u>\$ 374,852</u>	 <u>\$ 834,007</u>	 <u>\$ 4,889,581</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,056,170	\$ 113,383	\$ 288,836	\$ 1,458,389
Employee benefits	142,422	26,940	63,537	232,899
Payroll taxes/workers comp.	78,990	10,763	21,684	111,437
 Total payroll and related expenses	 1,277,582	 151,086	 374,057	 1,802,725
 Marketing general expenses	 254,600	 -	 -	 254,600
Interest expense	250,118	-	-	250,118
Exhibits and programs	185,384	-	-	185,384
New exhibit development and fundraising	41,219	-	115,648	156,867
Utilities	131,463	20,106	3,093	154,662
Professional fees and dues	73,768	18,786	29,582	122,136
Building maintenance	96,193	14,712	2,263	113,168
Science Center shop	97,068	-	-	97,068
Insurance	35,806	16,526	2,754	55,086
Facility rentals	12,875	38,734	-	51,609
Fundraising events	-	-	49,838	49,838
Fundraising - outsourcing	-	-	47,504	47,504
Equipment rental and maintenance	34,188	6,013	2,769	42,970
Miscellaneous	17,336	7,417	9,638	34,391
Printing and publications	24,531	-	9,215	33,746
Supplies	12,078	10,927	8,172	31,177
Telephone	13,505	6,138	4,911	24,554
Travel	7,975	2,566	4,566	15,107
Volunteers	14,001	-	-	14,001
Postage and shipping	3,575	1,787	6,553	11,915
Fundraising - other	-	-	10,929	10,929
 Total functional expenses before depreciation	 2,583,265	 294,798	 681,492	 3,559,555
 Depreciation	 929,274	 69,945	 -	 999,219
 Total functional expenses	 <u>\$ 3,512,539</u>	 <u>\$ 364,743</u>	 <u>\$ 681,492</u>	 <u>\$ 4,558,774</u>