

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

*As of and for the Years Ended June 30, 2022 and 2021*

*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

### Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adventure Science Center – Nashville as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Adventure Science Center – Nashville and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Adventure Science Center – Nashville’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adventure Science Center – Nashville’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Cherry Bekaert LLP*

Nashville, Tennessee  
November 28, 2022

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

*JUNE 30, 2022 AND 2021*

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,605,335	\$ 1,340,057
Accounts and pledges receivable, net	1,221,325	155,525
Prepaid expenses	103,491	128,345
Inventory	50,733	34,483
Investments	2,306,359	2,460,683
Restricted cash and cash equivalents	1,099,849	351,612
Property and equipment, net of accumulated depreciation	12,856,221	12,882,517
Other assets, net of accumulated amortization	2,991	25,171
Beneficial interest in charitable remainder unitrust, net	798,866	946,243
<b>Total Assets</b>	<b>\$ 22,045,170</b>	<b>\$ 18,324,636</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 137,934	\$ 71,757
Accrued expenses	307,751	282,362
Deferred revenue	711,517	549,885
Deferred grant revenue	-	1,241,674
Note payable	737,559	691,484
<b>Total Liabilities</b>	<b>1,894,761</b>	<b>2,837,162</b>
Net Assets:		
Without Donor Restrictions:		
Undesignated	14,778,639	11,580,062
Board-designated endowment	1,929,249	2,036,375
<b>Total Without Donor Restrictions</b>	<b>16,707,888</b>	<b>13,616,437</b>
With Donor Restrictions	3,442,521	1,871,037
<b>Total Net Assets</b>	<b>20,150,409</b>	<b>15,487,474</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 22,045,170</b>	<b>\$ 18,324,636</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, 2022*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Fees and admissions	\$ 3,357,082	\$ -	\$ 3,357,082
Gifts, appropriations, and private grants	3,115,197	2,322,500	5,437,697
Paycheck Protection Program income	1,241,674	-	1,241,674
Science Center shop	533,483	-	533,483
Investment return, net	(343,351)	(42,846)	(386,197)
Other income	52,610	-	52,610
Change in value of beneficial interest in charitable remainder unitrust	-	(147,377)	(147,377)
Net assets released from restrictions	560,793	(560,793)	-
Total Revenue	<u>8,517,488</u>	<u>1,571,484</u>	<u>10,088,972</u>
Expenses:			
Program services	4,167,701	-	4,167,701
Management and general	816,909	-	816,909
Fundraising	441,427	-	441,427
Total Expenses	<u>5,426,037</u>	<u>-</u>	<u>5,426,037</u>
Change in net assets	3,091,451	1,571,484	4,662,935
Net assets, beginning of year	<u>13,616,437</u>	<u>1,871,037</u>	<u>15,487,474</u>
Net assets, end of year	<u>\$ 16,707,888</u>	<u>\$ 3,442,521</u>	<u>\$ 20,150,409</u>

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, net	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)	-
Total Revenue	<u>4,186,131</u>	<u>574,444</u>	<u>4,760,575</u>
Expenses:			
Program services	3,382,272	-	3,382,272
Management and general	765,161	-	765,161
Fundraising	419,859	-	419,859
Total Expenses	<u>4,567,292</u>	<u>-</u>	<u>4,567,292</u>
Change in net assets	(381,161)	574,444	193,283
Net assets, beginning of year	<u>13,997,598</u>	<u>1,296,593</u>	<u>15,294,191</u>
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 these statements.

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

*YEAR ENDED JUNE 30, 2022*

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 1,245,768	\$ 494,658	\$ 307,803	\$ 2,048,229
Employee taxes and benefits	230,598	53,018	39,258	322,874
Total Payroll and Related Expenses	1,476,366	547,676	347,061	2,371,103
Advertising	301,081	-	-	301,081
Exhibits and programs	236,197	17,055	13,189	266,441
Utilities	235,627	-	-	235,627
Gift shop - cost of sales	222,971	-	-	222,971
Building maintenance and facility rental	181,517	236	703	182,456
Equipment costs - maintenance	128,459	43,737	1,505	173,701
Professional fees and dues	27,440	115,785	7,510	150,735
Credit card fees	99,123	-	24,076	123,199
Other expenses	79,287	24,605	10,126	114,018
Insurance	26,013	51,501	5,631	83,145
Interest	26,950	-	-	26,950
Telephone and communications	24,381	-	-	24,381
Printing	14,640	-	6,977	21,617
Fund raising events	-	-	17,634	17,634
Postage and shipping	10,777	909	4,041	15,727
Conferences and meetings	1,081	7,450	471	9,002
Travel and mileage	5,541	-	1,605	7,146
Supplies	4,409	1,035	31	5,475
Bank fees	-	5,394	27	5,421
Memberships and dues	2,816	1,526	840	5,182
Total Functional Expenses Before Depreciation and Amortization	3,104,676	816,909	441,427	4,363,012
Depreciation and amortization	1,063,025	-	-	1,063,025
Total Functional Expenses	<u>\$ 4,167,701</u>	<u>\$ 816,909</u>	<u>\$ 441,427</u>	<u>\$ 5,426,037</u>

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



**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 these statements.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 4,662,935	\$ 193,283
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for long-term purposes	(2,146,000)	(342,239)
Depreciation and amortization	1,063,025	1,127,533
Loss on disposal of property and equipment	82,006	1,400
Change in value of beneficial interest in charitable remainder unitrust	147,377	(204,190)
Net (gain) loss on investments	431,512	(292,549)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(50,320)	261,880
Prepaid expenses	24,854	82,868
Inventory	(16,250)	58,547
Accounts payable	66,177	(60,022)
Accrued expenses	25,389	20,129
Deferred revenue	161,632	(101,025)
Deferred grant revenue	(1,241,674)	634,674
Net cash flows from operating activities	3,210,663	1,380,289
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,096,555)	(103,271)
Purchase of investments	(2,069,058)	(2,624,159)
Proceeds from sale and maturities of investments	1,791,870	2,584,709
Net cash flows from investing activities	(1,373,743)	(142,721)
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term purposes	1,130,520	99,509
Proceeds (payments) on borrowings on line of credit	-	(100,000)
Proceeds from notes payable	175,625	-
Principal payments on notes payable	(129,550)	(22,327)
Net cash flows from financing activities	1,176,595	(22,818)
Net change in cash, restricted cash, and cash equivalents	3,013,515	1,214,750
Cash, restricted cash, and cash equivalents, beginning of year	1,691,669	476,919
Cash, restricted cash, and cash equivalents, end of year	\$ 4,705,184	\$ 1,691,669
<b>Cash and cash equivalents consist of the following:</b>		
Cash and cash equivalents	\$ 3,605,335	\$ 1,340,057
Restricted cash and cash equivalents	1,099,849	351,612
	\$ 4,705,184	\$ 1,691,669

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, 2022 AND 2021

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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 offsite. Over the last several years, the Center has transformed several of its exhibits. 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, 2022 AND 2021

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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.

*Contributions* – 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, 2022 AND 2021

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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.

*Deferred Revenue* – Receipts 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, 2022 and 2021.

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, 2022 and 2021, volunteers provided approximately 5,400 and 3,700 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, 2022 AND 2021

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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 \$301,081 and \$204,843, respectively, during the years ended June 30, 2022 and 2021.

*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, 2022 or 2021.

*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, 2022 AND 2021

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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 28, 2022, when these financial statements were available to be issued.

*Recently Adopted Accounting Pronouncements* – In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ending June 30, 2022 and had an immaterial effect on the Center's financial statements upon adoption. Generally, the Center has recognized the contribution of professional services and supplies at market value. Such items have been maintained for use in the Center. There have been no donor restrictions placed on such contributions.

### **Note 3—Revenue recognition**

The Center follows Accounting Standards Codification (“ASC”) 606. 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, 2022 AND 2021

### 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 years ended June 30, 2022 and 2021 amounted to \$562,032 and \$656,300, respectively, and is included in gifts, appropriations, and private grants on the statements of activities.

*Contract Balance* – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled \$711,517 and \$549,885 as of June 30, 2022 and 2021, 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, 2022:

	<b>Membership Dues</b>	<b>Camps and Education</b>	<b>Gift Cards</b>	<b>Other</b>	<b>Total</b>
Deferred revenue, beginning of year	\$ 287,684	\$ 167,285	\$ 36,189	\$ 58,727	\$ 549,885
Revenue recognized that was included in deferred revenue at beginning of year	(287,684)	(167,285)	(15,113)	(58,727)	(528,809)
Increase in deferred revenue due to cash received during the year	365,137	178,479	21,670	125,155	690,441
Deferred revenue, end of year	<u>\$ 365,137</u>	<u>\$ 178,479</u>	<u>\$ 42,746</u>	<u>\$ 125,155</u>	<u>\$ 711,517</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, 2022 AND 2021

### 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:

	<b>2022</b>	<b>2021</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,605,335	\$ 1,340,057
Accounts and pledges receivable, net	1,221,325	155,525
Investments	2,306,359	2,460,683
Restricted cash and cash equivalents	1,099,849	351,612
Beneficial interest in charitable remainder unitrust, net	798,866	946,243
Total financial assets	<u>9,031,734</u>	<u>5,254,120</u>
Less amounts not available to be used for general expenditures within one year:		
Assets subject to designations	1,929,249	2,036,375
Assets subject to restrictions	<u>3,442,521</u>	<u>1,871,037</u>
Total amounts not available to be used for general expenditures within one year	<u>5,371,770</u>	<u>3,907,412</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,659,964</u>	<u>\$ 1,346,708</u>

Board-designated endowment of \$1,929,623 and \$2,036,375 at June 30, 2022 and 2021, 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:

	<b>2022</b>	<b>2021</b>
Less than one year	\$ 1,167,071	\$ 128,874
One to five years	-	20,000
Pledges receivable	1,167,071	148,874
Program related receivables	<u>54,254</u>	<u>6,651</u>
Accounts and pledges receivable, net	<u>\$ 1,221,325</u>	<u>\$ 155,525</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### 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:

	<b>2022</b>	<b>2021</b>
Equity funds	\$ 375,052	\$ 1,025,189
Corporate bonds	965,877	657,411
Exchange traded funds	678,402	656,518
Short-term investments	56,281	28,219
Intermediate duration bonds	115,299	-
International equity funds	86,343	-
Other	29,105	-
Emerging Market Bond	-	12,347
U.S. government bonds	-	80,999
	<u>\$ 2,306,359</u>	<u>\$ 2,460,683</u>

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

	<b>2022</b>	<b>2021</b>
Realized and unrealized (loss) gain	\$ (405,978)	\$ 314,691
Interest and dividends	45,315	26,964
Net realized and unrealized (loss) gain	(360,663)	341,655
Investment fees	(25,534)	(22,142)
Net investment (loss) gain	<u>\$ (386,197)</u>	<u>\$ 319,513</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 \$798,866 and \$946,243 as of June 30, 2022 and 2021, 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:

	<b>2022</b>	<b>2021</b>
Balance, beginning of year	\$ 946,243	\$ 742,053
Change in fair value	(147,377)	204,190
Balance, end of year	<u>\$ 798,866</u>	<u>\$ 946,243</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### Note 8—Property and equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2022	2021
Buildings	5 - 40 years	\$ 18,895,993	\$ 18,820,170
Equipment and exhibits	3 - 30 years	13,928,068	13,728,236
Construction in progress		294,033	120,545
		33,118,094	32,668,951
Less accumulated depreciation		(20,261,873)	(19,786,434)
		<u>\$ 12,856,221</u>	<u>\$ 12,882,517</u>

Fully depreciated assets amounted to approximately \$ 13,490,000 and \$11,543,000, respectively, at June 30, 2022 and 2021. 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:

	2022	2021
Planetarium shows	\$ 786,259	\$ 786,259
Less accumulated amortization	(783,268)	(761,088)
	<u>\$ 2,991</u>	<u>\$ 25,171</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 \$231,849 and \$140,689 in 2022 and 2021, 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, 2022 AND 2021

### Note 11—Line of credit

At June 30, 2022, the Center had available a \$500,000 revolving line of credit with a bank. Payments of interest only at a variable rate (4.75% at June 30, 2022), 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- at June 30, 2022 and 2021. 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 12-month or a 364-day period. The Center satisfied this requirement for the years ended June 30, 2022 and 2021.

### 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 \$597,000 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 recognized grant revenue for the year ended June 30, 2022, because the Center received notification of forgiveness of both the first and second PPP loans in the amounts of \$597,000 and \$644,674.

### 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. Additionally, in October 2021, the Center entered into a note payable from a financial institution that provides for interest at 2.05% with 36-consecutive monthly installments of principal and interest beginning in November 2021. A final payment equal to unpaid principal and interest is due in October 2024. Total interest expense for the years ended June 30, 2022 and 2021 was \$26,950 and \$26,984, respectively. The notes are secured by a negative pledge agreement and equipment.

Scheduled principal maturities are as follows at June 30, 2022:

#### Years Ending June 30.

2023	\$	153,832
2024		158,348
2025		123,047
2026		106,712
2027		110,783
Thereafter		84,837
	\$	<u>737,559</u>

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### 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:

	2022	2021
Beneficial interest in charitable remainder unitrust	\$ 798,866	\$ 946,243
Endowment for staff development	324,500	365,093
Pledges	1,167,071	148,874
Scholarships	52,235	59,215
Other	1,099,849	351,612
	<u>\$ 3,442,521</u>	<u>\$ 1,871,037</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, 2022 AND 2021*

**Note 15—Endowment (continued)**

Endowment net asset composition by type of fund as of June 30, 2022 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted	\$ -	\$ 324,500	\$ 324,500
Board designated	1,929,249	-	1,929,249
Total endowment funds	<u>\$ 1,929,249</u>	<u>\$ 324,500</u>	<u>\$ 2,253,749</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 2,036,375	\$ 365,093	\$ 2,401,468
Investment return, net	(338,975)	(36,604)	(375,579)
Contributions	231,849	-	231,849
Appropriations for expenditure	-	(3,989)	(3,989)
Endowment net assets, end of year	<u>\$ 1,929,249</u>	<u>\$ 324,500</u>	<u>\$ 2,253,749</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

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, 2022 or 2021. The endowment corpus as of June 30, 2022 and 2021 is approximately \$250,000 with accumulated gains of \$74,500 and \$184,907, respectively.

# ADVENTURE SCIENCE CENTER – NASHVILLE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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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, 2022 and 2021 totaled \$4,389,053 and \$1,385,023, 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.

The Center received a significant amount of support from government grants related to COVID-19 during the years ended June 30, 2022 and 2021. These grants are subject to audit and retroactive adjustment by grantor agencies. Management does not expect the results of any audits to have a significant impact on amounts awarded.

During the years ended June 30, 2022 and 2021, the Center received approximately 37% and 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 18 and completing one year of qualified service. For the years ended June 30, 2022 and 2021, the Center provided a discretionary-matching contribution of \$28,057 and \$21,578, 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 2022 and 2021 totaled \$10,000 and \$9,688, respectively.

Future minimum commitments under the agreements are as follows as of June 30, 2022:

#### Years Ending June 30,

2023	\$ 10,879
2024	6,220
	<u>\$ 17,099</u>

**ADVENTURE SCIENCE CENTER – NASHVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2022 AND 2021*

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**Note 19—Supplemental cashflow information**

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

	<b>2022</b>	<b>2021</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ 21,617	\$ 27,005
<b>Supplemental noncash investing and financing activities:</b>		
Change in value of beneficial interest in charitable remainder unitrust	\$ (147,377)	\$ 204,190