

**ADVENTURE SCIENCE CENTER – NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2005 and 2004**

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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 statement of financial position of Adventure Science Center-Nashville, a Tennessee not-for-profit corporation (the "Center"), as of June 30, 2005, and the related statements of activities and cash flows for the year 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 audit. The financial statements of Adventure Science Center-Nashville as of June 30, 2004, were audited by other auditors whose report dated September 10, 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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, 2005, the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information 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*

September 15, 2005

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2005 and 2004**

<b>Assets</b>		<b>2005</b>	<b>2004</b>
		<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$	466,281	\$ 397,924
Accounts and pledges receivable, net		3,766,199	2,897,171
Prepaid expenses		10,856	12,947
Inventory		15,044	11,893
Restricted/designated cash and cash equivalents		152,857	32,997
Property and equipment, net of accumulated depreciation		9,630,077	7,283,912
Investments, substantially restricted		<u>2,761,332</u>	<u>1,780,259</u>
Total assets		<u>\$16,802,646</u>	<u>\$ 12,417,103</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
Accounts payable	\$	384,742	\$ 749,258
Accrued expenses		253,793	182,487
Deferred program and exhibit revenue		46,142	47,569
Notes payable		<u>5,964,935</u>	<u>3,055,116</u>
Total liabilities		<u>6,649,612</u>	<u>4,034,430</u>
<b>Net assets:</b>			
Unrestricted - designated for capital replacement		4,169,177	4,111,281
Temporarily restricted		4,360,989	2,648,524
Permanently restricted		<u>1,622,868</u>	<u>1,622,868</u>
Total net assets		<u>10,153,034</u>	<u>8,382,673</u>
Total liabilities and net assets		<u>\$16,802,646</u>	<u>\$ 12,417,103</u>

See accompanying notes.

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

**For the Year Ended June 30, 2005 With Summarized Comparative Information for 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2005</u>	<u>2004</u>
Revenue:					
Gifts, appropriations, and private grants	\$ 1,568,761	\$ 3,565,816	\$ -	\$ 5,134,577	\$ 3,732,592
Fees and admissions	1,044,580	-	-	1,044,580	1,078,082
Science Center shop	169,225	-	-	169,225	155,611
Interest and dividend income	74,286	-	-	74,286	69,158
Net gain on investments	33,905	-	-	33,905	105,112
Other income	6,630	-	-	6,630	5,022
Net assets released from restrictions	947,323	(947,323)	-	-	-
 Total revenue	 3,844,710	 2,618,493	 -	 6,463,203	 5,145,577
Expenses:					
Program services	2,882,808	-	-	2,882,808	2,528,294
Management and general	317,371	-	-	317,371	284,644
Fundraising	586,635	-	-	586,635	550,985
 Total expenses	 3,786,814	 -	 -	 3,786,814	 3,363,923
Losses:					
Provision for loss on uncollectible contributions	-	906,028	-	906,028	-
 Change in net assets	 57,896	 1,712,465	 -	 1,770,361	 1,781,654
Net assets - beginning of year	4,111,281	2,648,524	1,622,868	8,382,673	6,601,019
Net assets - end of year	<u>\$ 4,169,177</u>	<u>\$ 4,360,989</u>	<u>\$ 1,622,868</u>	<u>\$ 10,153,034</u>	<u>\$ 8,382,673</u>

See accompanying notes.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Gifts, appropriations, and private grants	\$ 1,396,686	\$ 2,335,906	\$ -	\$ 3,732,592
Fees and admissions	1,078,082	-	-	1,078,082
Science Center shop	155,611	-	-	155,611
Interest and dividend income	69,158	-	-	69,158
Net gain on investments	105,112	-	-	105,112
Other income	5,022	-	-	5,022
Net assets released from restrictions	792,172	(792,172)	-	-
 Total revenue	 3,601,843	 1,543,734	 -	 5,145,577
Expenses:				
Program services	2,528,294	-	-	2,528,294
Management and general	284,644	-	-	284,644
Fundraising	550,985	-	-	550,985
 Total expenses	 3,363,923	 -	 -	 3,363,923
 Change in net assets	 237,920	 1,543,734	 -	 1,781,654
 Net assets - beginning of year	 3,873,361	 1,104,790	 1,622,868	 6,601,019
 Net assets - end of year	 <u>\$ 4,111,281</u>	 <u>\$ 2,648,524</u>	 <u>\$ 1,622,868</u>	 <u>\$ 8,382,673</u>

See accompanying notes.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Operating activities:		
Change in net assets	\$ 1,770,361	\$ 1,781,654
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term purposes	(3,565,816)	(2,335,906)
Provision for uncollectible contributions	906,028	-
Depreciation	650,662	466,873
Loss (gain) on disposition of property and equipment	136,331	(5,000)
Net realized and unrealized gains on investments	(47,063)	(119,018)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(349,335)	(365,156)
Prepaid expenses	2,091	12,815
Inventory	(3,151)	18,262
Accounts payable	(21,558)	66,764
Accrued expenses	71,306	44,550
Deferred program and exhibit revenue	(1,427)	3,355
Net cash used in operating activities	<u>(451,571)</u>	<u>(430,807)</u>
Investing activities:		
Purchase of property and equipment	(2,908,908)	(802,219)
Proceeds from sale of property and equipment	-	5,000
Purchase of investments	(2,300,287)	(520,267)
Proceeds from sale of investments	1,366,277	505,781
(Increase) decrease in restricted cash and cash equivalents	<u>(119,860)</u>	<u>9,106</u>
Net cash used in investing activities	<u>(3,962,778)</u>	<u>(802,599)</u>
Financing activities:		
Proceeds from note payable	3,191,789	592,588
Payments on accounts payable for additions to property and equipment	(567,208)	-
Proceeds from contributions restricted for investment in property and equipment	2,140,095	845,420
Principal payments on notes payable	<u>(281,970)</u>	<u>(267,724)</u>
Net cash provided by financing activities	<u>4,482,706</u>	<u>1,170,284</u>
Increase (decrease) in cash and cash equivalents	68,357	(63,122)
Cash and cash equivalents - beginning of year	<u>397,924</u>	<u>461,046</u>
Cash and cash equivalents - end of year	<u>\$ 466,281</u>	<u>\$ 397,924</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	<u>\$ 199,135</u>	<u>\$ 162,787</u>
Accounts payable for additions to property and equipment	<u>\$ 224,250</u>	<u>\$ 567,208</u>

See accompanying notes.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005 and 2004**

**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, formerly the Cumberland Science Museum, serves the community as Adventure Science Center. The Center provides learning experiences in various sciences – health, earth, sound & light, creativity and invention, energy and space – through the use of participatory exhibits and programs especially through the Adventure Tower, BodyQuest and the Sudekum Planetarium. It is the only Center of its kind in the 200-mile radius from which its visitors are primarily drawn. The Center receives funding from local appropriations, private contributions, fees, and admissions to exhibits and programs.

**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.

**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.



**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

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.

**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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

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

**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. For the year ended June 30, 2004, donated materials and services totaled approximately \$31,000. There were no significant donated materials and services in fiscal 2005. 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, 2005 and 2004, volunteers provided approximately 19,200 and 16,200 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 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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses (Continued)**

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. They also include membership development.

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.

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 \$352,745 (including in-kind services of \$27,000) in 2005, and \$278,102 (including in-kind services of \$27,000) in 2004.

**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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE**

Program related receivables, that are included in accounts and pledges receivable, total \$11,588 at June 30, 2005 (\$23,370 in 2004).

Unconditional promises to give, that are included in accounts and pledges receivable at June 30, 2005, are collectible over the following period:

Less than one year	\$ 2,891,068
One to five years	2,026,364
Over five years	<u>-</u>
	4,917,432
Less discount to net present value	<u>(256,793)</u>
	4,660,639
Less allowance for uncollectibles	<u>(906,028)</u>
	<u>\$ 3,754,611</u>

Discounted unconditional promises to give, that are included in accounts and pledges receivable, include \$17,160 restricted for the Engineers' capital improvements and facilities, \$281,709 restricted for the adventure tower capital project, \$3,365,375 restricted for the body quest capital project, and \$996,395 for other purposes at June 30, 2005. A provision for loss on uncollectible contributions of \$906,028 has been recorded in the accompanying statement of activities for the year ended June 30, 2005 based on management's evaluation of potential uncollectible promises to give at June 30, 2005.

**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>2005</u>	<u>2004</u>
BodyQuest	\$ 2,716,870	\$ 1,733,177
Time restricted	996,395	-
Adventure Tower	501,131	661,141
Tennessee Engineering Center	111,659	70,763
Other	31,705	167,469
Planetarium improvements	3,229	9,132
MaxFlight	<u>-</u>	<u>6,842</u>
	<u>\$ 4,360,989</u>	<u>\$ 2,648,524</u>

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 4 – RESTRICTED NET ASSETS (Continued)**

**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>2005</u>	<u>2004</u>	<u>Estimated Useful Lives</u>
Buildings	\$ 7,428,100	\$ 6,973,486	5 - 40 years
Adventure Tower and related exhibits	944,606	944,606	5 - 40 years
Body Quest and related exhibits	2,862,646	1,035,087	7 - 10 years
Equipment and other exhibits	1,550,796	4,474,820	3 - 20 years
Exhibits – construction in progress	<u>718,847</u>	<u>298,911</u>	
	13,504,995	13,726,910	
Less accumulated depreciation	<u>(3,874,918)</u>	<u>(6,442,998)</u>	
	<u>\$ 9,630,077</u>	<u>\$ 7,283,912</u>	

Fully depreciated assets amounted to approximately \$825,000 and \$3,674,000, at June 30, 2005 and 2004, respectively.

**Capitalization of payroll costs**

Capitalization of payroll costs associated with creation or construction of exhibits amounted to \$9,469 in 2005 (\$2,886 in 2004).

**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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 6 – INVESTMENTS**

	<b>2005</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (loss)</b>
Cash and equivalents	\$ 1,050,207	\$ 1,050,207	\$ -
Corporate bonds	241,065	254,141	13,076
Government bonds	150,000	148,844	(1,156)
Mutual funds	1,224,366	1,289,390	65,024
Asset backed securities	18,750	18,750	-
	<u>\$ 2,684,388</u>	<u>\$ 2,761,332</u>	<u>\$ 76,944</u>
	<b>2004</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (loss)</b>
Cash and equivalents	\$ 132,394	\$ 132,394	\$ -
Corporate bonds	388,871	421,575	32,704
Common stocks and equity mutual funds	1,126,426	1,226,290	99,864
	<u>\$ 1,647,691</u>	<u>\$ 1,780,259</u>	<u>\$ 132,568</u>

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

	<b>2005</b>	<b>2004</b>
Realized gains (losses)	\$ 101,894	\$ (39,600)
Unrealized (losses) gains	<u>(54,831)</u>	<u>158,618</u>
Net realized and unrealized gains	47,063	119,018
Investment fees	<u>(13,158)</u>	<u>(13,906)</u>
	<u>\$ 33,905</u>	<u>\$ 105,112</u>

**NOTE 7 – TRUST FUNDS**

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 2005 and \$60,000 in 2004, 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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 7 – TRUST FUNDS (Continued)**

In fiscal year 2003, with the support of the Sudekum family, the Center initiated feasibility studies to replace the existing planetarium with a new state-of-the-art planetarium. Feasibility studies included conceptual efforts – visits to existing prototypical facilities and programs across the country, evaluation of fundraising prospects, and initial architectural and engineering design efforts. Costs incurred in these efforts have either been expensed as program and fundraising expenditures, as applicable, amounting to approximately \$30,000 in 2005 and \$45,000 in 2004, or capitalized as construction in progress (\$309,500 and \$191,500 at June 30, 2005 and 2004, respectively). The Sudekum Trust and family have reimbursed much of the costs incurred to date. These reimbursements have been recognized as revenue in 2005 and 2004. If the project is significantly delayed or abandoned, the capitalized portion of those costs could be subject to impairment and charged to expense in future periods.

During the year ended June 30, 2005, the Center has received conditional approval of a grant from the National Aeronautics and Space Museum amounting to approximately \$1,500,000 to facilitate the completion of the new planetarium.

**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, 2005 and 2004.

**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.

Pledges receivable consist of individual and corporate contribution pledges. At June 30, 2005, pledges receivable from four corporate donors amounted to \$3,515,530, or 75% of total accounts and pledges receivable by the Center. At June 30, 2004, pledges receivable from two corporate donors amounted to \$1,773,811, or 61% 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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 9 – CONCENTRATIONS OF CREDIT RISK (Continued)**

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, 2005 and 2004, were \$1,495,135 and \$382,175, 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 year ended June 30, 2005, the Center provided a discretionary matching contribution of \$14,089.

**NOTE 11 – CAPITAL CAMPAIGNS**

Six major engineering professional associations (the "Engineers") and the Center have informally agreed to a collaborative arrangement that would provide meeting facilities for the Engineers and engineering exhibit support and assistance for the Center. As of June 30, 2005, the Engineers had pledged a total of \$1,372,673 to build meeting facilities, of which \$1,354,610 had been collected. Net pledges have been recognized as revenue. Construction commenced in August 2001, and was substantially complete as of June 30, 2002.

The Center has initiated a second capital project, an Adventure Tower and other related and unrelated renovations. As of June 30, 2005, the Center has pledged of \$2,596,096, of which \$2,299,560 has been collected. Net pledges have been recognized as revenue.

The Center has initiated a third capital project, a BodyQuest exhibit and other related and unrelated renovations. As of June 30, 2005, the Center has net pledges of \$4,814,961, of which \$1,449,585 has been collected. Pledges have been recognized as revenue, net of an allowance for uncollectible pledges of \$906,028.



**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 12 – NOTES PAYABLE**

	<u>2005</u>	<u>2004</u>
Note payable to bank, matures May 2012 and accrues interest at 6.28% annually. The loan requires quarterly payments of \$94,796, including interest.	\$ 2,134,433	\$2,370,248
Note payable to bank, matures April 2006 and accrues interest at prime minus .5% annually (5.50% at June 30, 2005). The loan requires quarterly payments of \$11,539, plus interest, with the balance of principal and interest payable upon maturity. Secured by equipment with a book value of approximately \$114,000 at June 30, 2005.	46,126	92,281
Line of credit, accrues interest at the bank's prime rate minus 1.00% (3.12% at June 30, 2005). At September 30, 2005, the outstanding principal balance on the line converts to a fully amortizing loan, which will mature September 2015 and will accrue interest at either the bank's prime rate minus 1.00%, 1-Month LIBOR plus 2.00%, or fixed at 2.00% over the bank's cost of funds at the time the rate is fixed, at the Center's discretion. The loan requires quarterly payments, including interest, through the maturity date. The line of credit is secured by an exhibit with a book value of approximately \$2,900,000 and pledges receivable of \$3,365,376 at June 30, 2005.	<u>3,784,376</u>	<u>592,587</u>
	<u>\$ 5,964,935</u>	<u>\$ 3,055,116</u>

A schedule by year, of aggregate principal maturities of notes payable as of June 30, 2005, follows:

Year ending <u>June 30,</u>	
2006	\$ 666,309
2007	636,320
2008	653,494
2009	671,772
2010	691,225
Thereafter	<u>2,645,815</u>
	<u>\$ 5,964,935</u>

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005 and 2004**

**NOTE 13 – INTEREST**

Total interest expense incurred for the years ended June 30, 2005 and 2004 was \$211,312 and \$189,629, respectively, of which \$57,094 and \$26,571, respectively, was capitalized in property, plant and equipment additions.

## **ADDITIONAL INFORMATION**

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2005**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 951,368	\$ 102,623	\$ 270,062	\$ 1,324,053
Employee benefits	124,548	23,222	53,476	201,246
Payroll taxes/workers comp.	76,541	11,529	20,944	109,014
 Total payroll and related expenses	 1,152,457	 137,374	 344,482	 1,634,313
 New exhibit development and fundraising	 195,745	 173	 56,882	 252,800
Marketing general expenses	167,090	-	-	167,090
Interest expense	154,218	-	-	154,218
Utilities	111,191	17,006	2,616	130,813
Professional fees and dues	70,009	14,632	27,785	112,426
Building maintenance	86,444	13,221	2,034	101,699
Science Center shop	91,119	-	-	91,119
Exhibits and programs	68,330	-	-	68,330
Insurance	36,502	16,847	2,808	56,157
Facility rentals	16,146	37,731	-	53,877
Fundraising events	-	-	48,865	48,865
Fundraising - outsourcing	-	-	47,860	47,860
Equipment rental and maintenance	35,800	6,262	2,556	44,618
Miscellaneous	19,144	6,116	8,812	34,072
Supplies	13,709	11,736	7,375	32,820
Telephone	15,553	7,070	5,656	28,279
Printing and publications	22,351	-	5,100	27,451
Fundraising - other	-	-	14,243	14,243
Travel	7,192	1,992	3,846	13,030
Volunteers	11,361	-	-	11,361
Postage and shipping	3,331	1,665	5,715	10,711
 Total functional expenses before depreciation	 2,277,692	 271,825	 586,635	 3,136,152
 Depreciation	 605,116	 45,546	 -	 650,662
 Total functional expenses	 \$ 2,882,808	 \$ 317,371	 \$ 586,635	 \$ 3,786,814

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2004**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 891,933	\$ 97,571	\$ 270,459	\$ 1,259,963
Employee benefits	100,997	18,943	43,638	163,578
Payroll taxes/workers comp.	72,889	11,474	19,678	104,041
 Total payroll and related expenses	 1,065,819	 127,988	 333,775	 1,527,582
 New exhibit development and fundraising	 146,892	 -	 21,941	 168,833
Interest expense	163,058	-	-	163,058
Marketing general expenses	161,340	-	-	161,340
Utilities	104,558	15,991	2,460	123,009
Exhibits and programs	102,980	5,455	839	109,274
Science Center shop	84,281	-	-	84,281
Building maintenance	67,926	10,388	1,598	79,912
Professional fees and dues	40,074	12,484	15,425	67,983
Insurance	34,608	15,973	2,662	53,243
Fundraising events	-	-	49,780	49,780
Miscellaneous	19,515	7,241	20,879	47,635
Facility rentals	14,641	32,726	-	47,367
Fundraising - outsourcing	-	-	47,000	47,000
Equipment rental and maintenance	28,844	5,747	7,130	41,721
Telephone	15,740	7,154	5,724	28,618
Supplies	10,969	7,727	5,508	24,204
Fundraising - other	-	-	21,471	21,471
Printing and publications	16,095	-	3,812	19,907
Postage and shipping	2,918	1,459	7,738	12,115
Travel	4,797	1,630	3,243	9,670
Volunteers	9,047	-	-	9,047
 Total functional expenses before depreciation	 2,094,102	 251,963	 550,985	 2,897,050
 Depreciation	 434,192	 32,681	 -	 466,873
 Total functional expenses	 \$ 2,528,294	 \$ 284,644	 \$ 550,985	 \$ 3,363,923