

**ADVENTURE SCIENCE CENTER-NASHVILLE**

**FINANCIAL STATEMENTS**

**June 30, 2016 and 2015**

**ADVENTURE SCIENCE CENTER-NASHVILLE**

**TABLE OF CONTENTS**

Independent Auditor’s Report.....	2 – 3
Financial Statements:	
Statements of Financial Position .....	4
Statements of Activities.....	5 – 6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8 – 21
Supplementary Information:	
Schedules of Functional Expenses.....	22 – 23



## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Adventure Science Center-Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adventure Science Center-Nashville as of June 30, 2016 and 2015, 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.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Frasier, Dan + Hand, PLLC*

November 8, 2016  
Nashville, Tennessee

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,840,320	\$ 1,667,627
Accounts and pledges receivable, net	375,812	138,531
Prepaid expenses	171,801	183,628
Inventory	42,019	19,921
Investments	2,039,917	2,040,997
Restricted cash and cash equivalents	423,159	64,843
Property and equipment, net of accumulated depreciation	14,344,268	14,566,381
Other assets, net of accumulated amortization	232,243	214,102
Beneficial interest in charitable remainder unitrust, net	619,748	643,016
	<u>619,748</u>	<u>643,016</u>
Total assets	<u><u>\$ 20,089,287</u></u>	<u><u>\$ 19,539,046</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 271,450	\$ 166,063
Accrued expenses	134,729	129,639
Deferred revenue	131,427	151,972
Note payable	1,149,516	1,149,516
	<u>1,149,516</u>	<u>1,149,516</u>
Total liabilities	<u>1,687,122</u>	<u>1,597,190</u>
Net assets:		
Unrestricted:		
Undesignated	15,076,764	14,946,760
Board-designated endowment	1,741,237	1,735,857
Total unrestricted	<u>16,818,001</u>	<u>16,682,617</u>
Temporarily restricted	<u>1,584,164</u>	<u>1,259,239</u>
Total net assets	<u>18,402,165</u>	<u>17,941,856</u>
Total liabilities and net assets	<u><u>\$ 20,089,287</u></u>	<u><u>\$ 19,539,046</u></u>

See accompanying notes.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Fees and admissions	\$ 2,882,730	\$ -	\$ 2,882,730
Gifts, appropriations, and private grants	1,564,199	804,216	2,368,415
Science Center shop	313,482	-	313,482
Interest and dividend income	44,928	8,491	53,419
Other income	43,498	-	43,498
Change in value of beneficial interest in charitable remainder unitrust	-	(23,268)	(23,268)
Net loss on investments	(42,188)	(4,435)	(46,623)
Net assets released from restrictions	460,079	(460,079)	-
	<u>5,266,728</u>	<u>324,925</u>	<u>5,591,653</u>
Total revenue			
Expenses:			
Program services	4,192,537	-	4,192,537
Management and general	382,085	-	382,085
Fundraising	556,722	-	556,722
	<u>5,131,344</u>	<u>-</u>	<u>5,131,344</u>
Total expenses			
Change in net assets	135,384	324,925	460,309
Net assets - beginning of year	16,682,617	1,259,239	17,941,856
Net assets - end of year	<u>\$ 16,818,001</u>	<u>\$ 1,584,164</u>	<u>\$ 18,402,165</u>

See accompanying notes.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Fees and admissions	\$ 2,583,319	\$ -	\$ 2,583,319
Gifts, appropriations, and private grants	1,585,640	478,560	2,064,200
Science Center shop	237,004	-	237,004
Interest and dividend income	47,718	1,254	48,972
Other income	31,387	-	31,387
Net (loss) gain on investments	(6,721)	1,606	(5,115)
Change in value of beneficial interest in charitable remainder unitrust	-	(18,153)	(18,153)
Net assets released from restrictions	266,581	(266,581)	-
	<u>4,744,928</u>	<u>196,686</u>	<u>4,941,614</u>
Total revenue			
Expenses:			
Program services	4,009,060	-	4,009,060
Management and general	354,334	-	354,334
Fundraising	444,044	-	444,044
	<u>4,807,438</u>	<u>-</u>	<u>4,807,438</u>
Total expenses			
Change in net assets	(62,510)	196,686	134,176
Net assets - beginning of year	16,745,127	1,062,553	17,807,680
Net assets - end of year	<u>\$ 16,682,617</u>	<u>\$ 1,259,239</u>	<u>\$ 17,941,856</u>

See accompanying notes.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2016 and 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
Cash flows from operating activities:		
Change in net assets	\$ 460,309	\$ 134,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(541,676)	(259,992)
Depreciation and amortization	827,240	821,436
Loss on disposal of property and equipment	280	915
Change in value of beneficial interest in charitable remainder unitrust	23,268	18,153
Net loss on investments	46,623	5,115
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(16,023)	(18,755)
Prepaid expenses	11,827	(51,678)
Inventory	(22,098)	(8,557)
Accounts payable	(102,113)	40,786
Accrued expenses	5,090	1,945
Deferred revenue	(20,545)	7,122
Net cash provided by operating activities	<u>672,182</u>	<u>690,666</u>
Cash flows from investing activities:		
Purchase of property and equipment	(416,048)	(260,973)
Purchase of investments	(588,412)	(1,206,974)
Proceeds from sale of investments	542,869	1,047,908
(Increase) decrease in restricted cash and cash equivalents	<u>(358,316)</u>	<u>196,802</u>
Net cash used in investing activities	<u>(819,907)</u>	<u>(223,237)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	320,418	265,575
Principal payments on notes payable	<u>-</u>	<u>(296,650)</u>
Net cash provided by (used in) financing activities	<u>320,418</u>	<u>(31,075)</u>
Net increase in cash and cash equivalents	172,693	436,354
Cash and cash equivalents - beginning of year	<u>1,667,627</u>	<u>1,231,273</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,840,320</u></u>	<u><u>\$ 1,667,627</u></u>

See accompanying notes.



**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016 and 2015**

**NOTE 1 – NATURE OF ACTIVITIES**

Adventure Science Center-Nashville (the “Center”) is a nonprofit 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 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, Space Chase and the Sudekum Planetarium. 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

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

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

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. The Center had no permanently restricted net assets at June 30, 2016 and 2015.

**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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

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

**Revenue Recognition**

Unconditional promises to give are recorded as assets at their estimated realizable value when received and are generally available for unrestricted use in the related year unless specifically restricted by the donor. An allowance for uncollectible accounts is provided based on past experience with collections and estimated collectability of current receivables. Uncollectible accounts are charged against the allowance in the period they are determined to be uncollectible.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, unless resulting income streams are not predictable. The discount on those amounts is computed using an interest rate commensurate with the risks involved at the time the pledge is initially recognized. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that prescribe or limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents and Restricted Cash and Cash Equivalents**

The Center considers all cash accounts and highly liquid investments with an original maturity when purchased of three months or less to be cash and cash equivalents. Cash and cash equivalents in investment accounts designated for long-term purposes, or restricted for major construction projects, are excluded from the definition of cash and cash equivalents. Restricted cash and cash equivalents consist of contributions received with donor-imposed restrictions limiting their use to long-term purposes and bank-imposed restrictions on certain contributions for use of paying down long-term debt. Unrestricted and restricted cash are held in separate bank accounts.

**Inventory**

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

**Investments**

In accordance with standards of accounting for investments prescribed for not-for-profit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities. Fair values are based on

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

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

**Investments (Continued)**

quoted market price on the last business day of the fiscal year. Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets, and ordinary income from investments are accounted for in the unrestricted and temporarily restricted funds unless permanently restricted by the donor.

**Fair Value Measurements**

The Center has an established process for determining fair value. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

*Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

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

**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, 2016 and 2015.

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.

**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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**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 \$343,810 and \$349,268, respectively, during the years ended June 30, 2016 and 2015.

**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 fifty percent likely of being realized upon ultimate settlement. The Center has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended June 30, 2013 through June 30, 2016. The Center had no uncertain tax positions at June 30, 2016 and 2015.

**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 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.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

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

**Charitable Remainder Unitrust**

The Center has been named as the charitable beneficiary of a charitable remainder unitrust. A charitable remainder unitrust is a split-interest agreement in which the charitable beneficiary receives its beneficial interest in the donated assets after the designated beneficiary has received benefits for a specified time period (or upon the designated beneficiary's death). At the termination of the agreement, the remaining assets of the unitrust pass to the charitable beneficiary for its use. A temporarily restricted contribution and related asset are recognized in the year the unitrust is established based on the fair value of the assets contributed less the present value of the future payments expected to be made to the designated beneficiary. The expected future payments are based on the actuarial life expectancy of the income recipient using the discount rate in existence at the time of notification. Discount amortization and any revaluations of expected future payments to the beneficiaries are recognized as periodic adjustments to the asset. Corresponding changes in the value of the split interest agreement are recognized currently and included in temporarily restricted contributions.

**Endowment Funds**

Accounting principles generally accepted in the United States of America require that a nonprofit organization classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The guidance also requires additional disclosures applicable to all not-for-profit organizations. Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

**Subsequent Events**

The Center evaluated subsequent events through November 8, 2016, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE**

Accounts and pledges receivable are primarily composed of unconditional promises to give and are collectible over the following periods at June 30:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 371,091	\$ 125,383
One to five years	<u>5,000</u>	<u>10,050</u>
	376,091	135,433
Less allowance for uncollectibles	<u>(68,551)</u>	<u>(68,551)</u>
Pledges receivable, net	307,540	66,882
Program related receivables	<u>68,272</u>	<u>71,649</u>
Accounts and pledges receivable, net	<u>\$ 375,812</u>	<u>\$ 138,531</u>

At June 30, 2016, 77% of pledges receivable were due from two donors. At June 30, 2015, 50% of pledges receivable was due from one donor.

**NOTE 4 – INVESTMENTS**

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Common stocks	\$ 1,021,008	\$ 1,072,437
Corporate bonds	596,400	432,171
U.S. government bonds	284,154	466,826
Short-term investments	106,685	36,098
Mutual funds	<u>31,670</u>	<u>33,465</u>
	<u>\$ 2,039,917</u>	<u>\$ 2,040,997</u>

The following schedule summarizes the investment loss for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Realized (losses) gains	\$ (14,026)	\$ 94,788
Unrealized losses	<u>(11,030)</u>	<u>(78,666)</u>
Net realized and unrealized (losses) gains	(25,056)	16,122
Investment fees	<u>(21,567)</u>	<u>(21,237)</u>
	<u>\$ (46,623)</u>	<u>\$ (5,115)</u>

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 5 – BENEFICIAL INTEREST IN TRUST**

The Center has been named as a beneficiary of a charitable remainder unitrust, held and administrated by a third party. The Center receives the balance of the assets remaining in the trust upon termination of the trust. In the event that the amount distributed to the Center exceeds \$250,000, the funds are to be used for building improvements, additions to the Center, and/or for permanent exhibits. Based upon earnings at an estimated rate of 5% over the life of the trust, 5% annual distribution to an unrelated specified beneficiary over their lifetime, and a 2.73% discount rate, the estimated present value of future benefits expected to be received by the Center totaled \$619,748 and \$643,016 as of June 30, 2016 and 2015, respectively.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<b><u>Estimated Useful Lives</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Buildings	5 - 40 years	\$ 18,049,015	\$ 18,024,986
Equipment and exhibits	3 - 30 years	11,402,896	11,221,090
Construction in progress		<u>278,447</u>	<u>44,500</u>
		29,730,358	29,290,576
Less accumulated depreciation		<u>(15,386,090)</u>	<u>(14,724,195)</u>
		<u><u>\$ 14,344,268</u></u>	<u><u>\$ 14,566,381</u></u>

Fully depreciated assets amounted to approximately \$8,259,000 and \$8,037,000, respectively at June 30, 2016 and 2015.

Land on which the Center's main building and parking lots are located is leased through the year 2065 from the Metropolitan Board of Parks and Recreation of the Metropolitan Government of Nashville and Davidson County, Tennessee, for one dollar per year. The Center has the option to renew the lease at expiration for an additional 50 years at the same terms.

**NOTE 7 – OTHER ASSETS**

Other assets consist of the following at June 30:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Planetarium shows	\$ 671,704	\$ 671,704
Planetarium show – in development	<u>85,310</u>	<u>-</u>
	757,014	671,704
Less accumulated amortization	<u>(524,771)</u>	<u>(457,602)</u>
	<u><u>\$ 232,243</u></u>	<u><u>\$ 214,102</u></u>



**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 7 – OTHER ASSETS (Continued)**

Costs to develop planetarium shows have been capitalized and included in other assets in the accompanying statements of financial position. The costs are being amortized over 10 years, the expected life of the shows.

**NOTE 8 – COLLECTIONS**

In conformity with the practice followed by many museums, collection items purchased and donated are not included in the statements of financial position. The value of collection items acquired by gift cannot be reasonably estimated and has not been recognized in the statements of activities. The cost of collection items purchased is reported under exhibits and programs expense. There were no material collection items purchased or donated during the years ended June 30, 2016 and 2015.

**NOTE 9 – TRUST FUND**

The Sudekum Memorial Trust (the “Trust”) is required to distribute net income and principal to be used for the primary purpose of ongoing capital expenditures, both those of a routine and period nature, as well as unexpected and extraordinary expenditures, and the cost to develop, produce, lease, and purchase programs to be displayed in the Planetarium. The Trust is obligated to distribute a minimum of 3.5% of the net fair market value of Trust assets to the Center each year. The Trust is governed by a committee of five directors, including the Center’s board chair, who also serves as the Trust’s chair; another member of the Center’s board of trustees, two Sudekum family members and a lifetime member (general counsel). Distributions, which amounted to \$340,259 and \$159,121 in 2016 and 2015, respectively, are recorded in gifts, appropriations and private grants. At June 30, 2016, a pledge receivable was also due from the Trust in the amount of \$222,500. The trustees have full discretion as to the timing of distributions and may elect to use Trust funds for another purpose. Accordingly, contribution support is recorded when distributions are received or a pledge to distribute funds has been made. Trust assets are not reported in the Center’s statements of financial position.

**NOTE 10 – NOTE PAYABLE**

The Center has a note payable to a financial institution that bears interest at a fixed rate of 3.5%. The Center prepaid the principal for the years ended June 30, 2016 and 2017. Therefore, the note requires quarterly interest payments during fiscal years 2016 and 2017, and then quarterly principal payments of \$37,081 plus interest, until January 23, 2020, when the remaining principal and unpaid interest will be due. The note contains certain financial covenants. The Center was in compliance with these covenants at June 30, 2016. Total interest expense for the years ended June 30, 2016 and 2015 was \$40,904 and \$46,012, respectively. Scheduled principal maturities are as follows at June 30, 2016:

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 10 – NOTE PAYABLE (Continued)**

Year Ending <u>June 30,</u>	
2017	\$ -
2018	148,324
2019	148,324
2020	<u>852,868</u>
	<u>\$ 1,149,516</u>

**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Beneficial interest in charitable remainder unitrust	\$ 619,748	\$ 643,016
Planetarium	267,900	37,865
Other	266,903	101,201
Endowment for staff development	247,953	250,758
BodyQuest	<u>181,660</u>	<u>226,399</u>
	<u>\$ 1,584,164</u>	<u>\$ 1,259,239</u>

**NOTE 12 – ENDOWMENT**

The Center's endowment was established to further its programs. The endowment comprises funds designated by the board of trustees to function as endowments and donor funds designated as an endowment for staff development. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Center has interpreted the UPMIFA as requiring that the Center classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the board in a manner consistent with the standard of prudence prescribed by

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 12 – ENDOWMENT (Continued)**

UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center

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

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

**Endowment Net Asset Composition by Type of Fund as of June 30, 2015:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Donor restricted endowment funds	\$ -	\$ 250,758	\$ -	\$ 250,758
Board designated endowment funds	<u>1,735,857</u>	<u>-</u>	<u>-</u>	<u>1,735,857</u>
Total endowment funds	<u>\$ 1,735,857</u>	<u>\$ 250,758</u>	<u>\$ -</u>	<u>\$ 1,986,615</u>

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 12 – ENDOWMENT (Continued)**

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

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

**Changes in Endowment Net Assets for the Year Ended June 30, 2015:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Endowment net assets, beginning of year	\$ 1,834,766	\$ -	\$ -	\$ 1,834,766
Investment return:				
Investment income	47,551	-	-	47,551
Net appreciation	14,777	758	-	15,535
Investment fees	(21,237)	-	-	(21,237)
Total investment return	<u>41,091</u>	<u>758</u>	<u>-</u>	<u>41,849</u>
Contributions	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Appropriation	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>
Endowment net assets, end of year	\$ 1,735,857	\$ 250,758	\$ -	\$ 1,986,615

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, any deficiencies of this nature are reported in unrestricted net assets.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 12 – 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 13 – CONCENTRATIONS OF CREDIT RISK**

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

The Center maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes the Center is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2016 and 2015 totaled \$2,041,336 and \$1,525,130, respectively.

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

**NOTE 14 – EMPLOYEE BENEFIT PLAN**

The Center provides its employees with a 401(k) retirement plan (the "Plan"). Employees are eligible to contribute to the Plan upon reaching age 18 and completing three months of qualified service. Employees are eligible to receive matching and discretionary contributions upon reaching age 21 and completing one year of qualified service. For the years ended June 30, 2016 and 2015, the Center provided a discretionary matching contribution of \$20,504 and \$24,567, respectively.

**NOTE 15 – COMMITMENTS**

The Center leases certain office equipment under noncancellable agreements. Rent expense for all operating leases for 2016 and 2015 totaled \$16,170 and \$14,230, respectively. During the year ended June 30, 2015, the Center entered into a noncancellable agreement for lighting maintenance services. Maintenance expense related to this agreement for 2016 and 2015 totaled \$38,057 and \$8,497, respectively.

**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2016 and 2015**

**NOTE 15 – COMMITMENTS (Continued)**

Future minimum commitments under the agreements are as follows as of June 30, 2016:

Year Ending <u>June 30,</u>	
2017	\$ 47,853
2018	47,853
2019	43,787
2020	<u>26,047</u>
	<u>\$ 165,540</u>

**NOTE 16 – SUPPLEMENTAL CASH FLOW INFORMATION**

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

**Supplemental Cash Flow Information**

	<u>2016</u>	<u>2015</u>
Cash paid during the year for interest	\$ <u>40,904</u>	\$ <u>46,012</u>

**Supplemental Schedule of Non-Cash Investing and Financing Activities**

	<u>2016</u>	<u>2015</u>
Change in value of beneficial interest in charitable remainder unitrust	\$ <u>(23,268)</u>	\$ <u>(18,153)</u>
Accounts payable for additions to property and equipment	\$ <u>207,500</u>	\$ <u>-</u>

## **SUPPLEMENTARY INFORMATION**

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

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



**ADVENTURE SCIENCE CENTER-NASHVILLE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 1,315,705	\$ 215,255	\$ 208,378	\$ 1,739,338
Employee taxes and benefits	208,896	42,969	34,239	286,104
Total payroll and related expenses	1,524,601	258,224	242,617	2,025,442
Exhibits and programs	410,510	1,000	6,118	417,628
Advertising	348,268	-	1,000	349,268
Utilities	200,323	-	-	200,323
Building maintenance and facility rental	176,359	-	87	176,446
Equipment costs - maintenance	94,145	30,395	34,564	159,104
Gift shop	124,037	-	-	124,037
Professional fees and dues	38,455	35,553	16,400	90,408
Insurance	57,502	6,364	4,680	68,546
Fundraising events	-	-	60,829	60,829
Other expenses	53,710	3,351	3,688	60,749
Credit card fees	39,203	-	15,246	54,449
Printing	17,993	-	29,937	47,930
Interest	46,012	-	-	46,012
Postage and shipping	3,992	1,064	26,294	31,350
Telephone and communications	18,393	-	-	18,393
Supplies	11,790	2,152	579	14,521
Conferences and meetings	12,345	1,460	224	14,029
Travel and mileage	3,396	7,874	1,531	12,801
Memberships and dues	6,590	190	250	7,030
Bank fees	-	6,707	-	6,707
Total functional expenses before depreciation and amortization	3,187,624	354,334	444,044	3,986,002
Depreciation and amortization	821,436	-	-	821,436
Total functional expenses	<u>\$ 4,009,060</u>	<u>\$ 354,334</u>	<u>\$ 444,044</u>	<u>\$ 4,807,438</u>