

ADVENTURE SCIENCE CENTER-NASHVILLE

FINANCIAL STATEMENTS

June 30, 2008 and 2007

ADVENTURE SCIENCE CENTER-NASHVILLE

TABLE OF CONTENTS

Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 17
Supplemental Information:	
Statements of Functional Expenses.....	18 – 19



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Adventure Science Center-Nashville as of June 30, 2008 and 2007, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2006 summarized comparative information has been derived from the Organization's 2006 financial statements and in our report dated February 24, 2007 we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adventure Science Center-Nashville as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Adventure Science Center-Nashville taken as a whole. The accompanying additional information on pages 18 and 19 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.

Fraser, Dean & Howard, PLLC

November 25, 2008
Nashville, Tennessee

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 1,010,868	\$ 564,549
Accounts and pledges receivable, net	4,964,223	5,700,311
Prepaid expenses	7,726	3,553
Inventory	17,371	12,656
Restricted/designated cash and cash equivalents	761,470	597,268
Property and equipment, net of accumulated depreciation	21,929,490	12,392,812
Other assets, net of accumulated amortization	626,177	-
Investments, substantially restricted	<u>2,830,779</u>	<u>3,197,430</u>
Total assets	<u>\$ 32,148,104</u>	<u>\$ 22,468,579</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,153,007	\$ 1,090,144
Accrued expenses	197,982	182,896
Deferred revenue	54,280	67,164
Notes payable	<u>9,277,732</u>	<u>4,643,846</u>
Total liabilities	<u>10,683,001</u>	<u>5,984,050</u>
Net assets:		
Unrestricted - designated for capital replacement	16,199,290	7,665,056
Temporarily restricted	3,642,945	7,196,605
Permanently restricted	<u>1,622,868</u>	<u>1,622,868</u>
Total net assets	<u>21,465,103</u>	<u>16,484,529</u>
Total liabilities and net assets	<u>\$ 32,148,104</u>	<u>\$ 22,468,579</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008 With Summarized Comparative Information for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2008</u>	<u>2007</u>
Revenue:					
Gifts, appropriations, and private grants	\$ 6,046,154	\$ 1,484,433	\$ -	\$ 7,530,587	\$ 8,312,992
Fees and admissions	1,427,525	-	-	1,427,525	1,416,036
Science Center shop	202,520	-	-	202,520	185,266
Interest and dividend income	177,407	-	-	177,407	154,095
Net (loss) gain on investments	(301,805)	-	-	(301,805)	279,632
Other (loss) income	(3,871)	-	-	(3,871)	23,912
Net assets released from restrictions	5,038,093	(5,038,093)	-	-	-
Total revenue	12,586,023	(3,553,660)	-	9,032,363	10,371,933
Expenses:					
Program services	3,778,103	-	-	3,778,103	3,680,722
Management and general	297,445	-	-	297,445	374,852
Fundraising	648,924	-	-	648,924	834,007
Total expenses	4,724,472	-	-	4,724,472	4,889,581
Bad debt recovery (expense)	672,683	-	-	672,683	(445,639)
Change in net assets	8,534,234	(3,553,660)	-	4,980,574	5,036,713
Net assets - beginning of year	7,665,056	7,196,605	1,622,868	16,484,529	11,447,816
Net assets - end of year	<u>\$ 16,199,290</u>	<u>\$ 3,642,945</u>	<u>\$ 1,622,868</u>	<u>\$ 21,465,103</u>	<u>\$ 16,484,529</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007 With Summarized Comparative Information for 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2007</u>	<u>2006</u>
Revenue:					
Gifts, appropriations, and private grants	\$ 5,010,855	\$ 3,302,137	\$ -	\$ 8,312,992	\$ 4,796,694
Fees and admissions	1,416,036	-	-	1,416,036	1,300,719
Science Center shop	185,266	-	-	185,266	177,688
Interest and dividend income	154,095	-	-	154,095	106,128
Net gain on investments	279,632	-	-	279,632	141,130
Other income	23,912	-	-	23,912	1,367
Net assets released from restrictions	<u>1,742,416</u>	<u>(1,742,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,812,212</u>	<u>1,559,721</u>	<u>-</u>	<u>10,371,933</u>	<u>6,523,726</u>
Expenses:					
Program services	3,680,722	-	-	3,680,722	3,512,539
Management and general	374,852	-	-	374,852	364,743
Fundraising	<u>834,007</u>	<u>-</u>	<u>-</u>	<u>834,007</u>	<u>681,492</u>
Total expenses	<u>4,889,581</u>	<u>-</u>	<u>-</u>	<u>4,889,581</u>	<u>4,558,774</u>
Bad debt expense	<u>-</u>	<u>(445,639)</u>	<u>-</u>	<u>(445,639)</u>	<u>(670,170)</u>
Change in net assets	3,922,631	1,114,082	-	5,036,713	1,294,782
Net assets - beginning of year	<u>3,742,425</u>	<u>6,082,523</u>	<u>1,622,868</u>	<u>11,447,816</u>	<u>10,153,034</u>
Net assets - end of year	<u>\$ 7,665,056</u>	<u>\$ 7,196,605</u>	<u>\$ 1,622,868</u>	<u>\$ 16,484,529</u>	<u>\$ 11,447,816</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,980,574	\$ 5,036,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(1,484,433)	(3,302,137)
Bad debt (recovery) expense	(672,683)	445,639
Depreciation and amortization	925,752	980,745
Loss (gain) on disposition of property and equipment	9,617	(20,183)
Net loss (gain) on investments	301,805	(279,632)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	321,104	122,686
Prepaid expenses	(4,173)	44,250
Inventory	(4,715)	(592)
Accounts payable	56,263	(24,282)
Accrued expenses	15,086	(78,378)
Deferred program and exhibit revenue	(12,884)	8,212
Net cash provided by operating activities	<u>4,431,313</u>	<u>2,933,041</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	-	40,900
Purchase of property and equipment	(10,225,497)	(3,481,831)
Purchase of investments	(1,589,718)	(641,846)
Proceeds from sale of investments	1,654,564	481,218
(Increase) decrease in restricted cash and cash equivalents	<u>(164,202)</u>	<u>1,444,175</u>
Net cash used in investing activities	<u>(10,324,853)</u>	<u>(2,157,384)</u>
Cash flows from financing activities:		
Payments on accounts payable for additions to property and equipment	(866,127)	(41,857)
Proceeds from contributions restricted for investment in property and equipment	2,572,100	749,536
Proceeds from note payable	5,296,610	-
Principal payments on notes payable	<u>(662,724)</u>	<u>(1,023,988)</u>
Net cash provided by (used in) financing activities	<u>6,339,859</u>	<u>(316,309)</u>
Net increase in cash and cash equivalents	446,319	459,348
Cash and cash equivalents - beginning of year	<u>564,549</u>	<u>105,201</u>
Cash and cash equivalents - end of year	<u>\$ 1,010,868</u>	<u>\$ 564,549</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 185,303</u>	<u>\$ 236,794</u>
Accounts payable for additions to property and equipment	<u>\$ 872,727</u>	<u>\$ 866,127</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 – NATURE OF ACTIVITIES

Adventure Science Center-Nashville (“the Center”) is a non-profit corporation organized exclusively for charitable, educational and scientific purposes. The Center, formally the Cumberland Science Museum, serves the community as Adventure Science Center. The Center provides an exciting and didactic environment for visitors of all ages to better understand science, technology, engineering and health through participatory exhibits, demonstrations, and a variety of educational activities and programs including Adventure Tower, BodyQuest and the Sudekum Planetarium. The Sudekum Planetarium closed in January 2007 and reopened in June 2008 as part of \$21.4 million expansion project. It is the only center of its kind in a 200-mile radius from which its visitors are primarily drawn. The Center receives funding from private contributions, local appropriations, grants, program fees and admissions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present the financial position and results of operations of the Center in conformity with accounting principles generally accepted in the United States of America.

A summary of the significant accounting policies utilized in the preparation of these financial statements follows:

Basis of Presentation

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

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

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

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 determined to be uncollectible.

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

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

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. Restricted cash consists of contributions received with donor-imposed restrictions limiting their use to long-term purposes and proceeds from note payable restricted for use in construction of the new Sudekum Planetarium and related exhibits. Unrestricted and restricted cash are held in separate bank accounts.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities for the years. Fair values are based on quoted market price on the last business day of the fiscal year.

Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets and ordinary income from investments are accounted for in the unrestricted and temporarily restricted funds unless permanently restricted by the donor.

Inventory

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

Property and Equipment

Property and equipment is reported at cost at the date of purchase or at fair market 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 material, during the period required to prepare such assets for intended use.

Donated Materials and Services

Donated materials are recorded as gifts in the period received at fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, is performed by a donor who possesses such skills, and would have been purchased by the Center if not donated. Such services are recognized at fair value as support and expense in the period the services are performed. There were no significant donated materials and services in fiscal 2008 and 2007. 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, 2008 and 2007, volunteers provided approximately 21,400 and 20,300 hours of service, respectively, to various Center programs.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

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

Program services – includes 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 organization. The Center's program services include exhibit activities, life, social, health and physical programs, planetarium operation, advertising and media costs directly related to programs and exhibits, and the cost of operating the Center's gift shop.

Management and general – relates to the overall direction of the 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 and creation and distribution of fundraising materials. They also include membership development.

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, federal income taxes have not been recorded 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 \$430,629 and \$415,489 during the years ended June 30, 2008 and 2007, respectively.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full-time, permanent employees of the Center are granted vacation benefits in varying amounts to specified maximums depending on tenure. Employees are entitled to their balances and all accrued vacation leave upon termination. The estimated liability for vested benefits is included in accrued expenses.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements in order to conform to the 2008 presentation.

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

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

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 2,938,772	\$ 3,306,885
One to five years	<u>2,447,825</u>	<u>4,365,617</u>
	5,386,597	7,672,502
Less discount to net present value	<u>(304,847)</u>	<u>(407,457)</u>
	5,081,750	7,265,045
Less allowance for uncollectibles	<u>(179,075)</u>	<u>(1,599,855)</u>
Unconditional promises to give, net	4,902,675	5,665,190
Program related receivables	<u>61,548</u>	<u>35,121</u>
Accounts and pledges receivable, net	<u>\$ 4,964,223</u>	<u>\$ 5,700,311</u>

The Center discounts pledges that are expected to be collected after one year using rates ranging from 3.00% to 5.18% during the year ended June 30, 2008 and 3.70% to 5.18% during the year ended June 30, 2007. Discounted unconditional promises to give, that are included in accounts and pledges receivable, include \$3,355 restricted for the Engineers' capital improvements and facilities, \$103,375 restricted for the adventure tower capital project, \$892,824 restricted for the BodyQuest capital project, \$3,874,586 restricted for planetarium capital project, and \$207,610 for other purposes at June 30, 2008. During 2008, a pledge previously deemed uncollectible was reaffirmed. As a result, a bad debt recovery of \$672,683 has been recorded in the accompanying statement of activities for the year ended June 30, 2008. A bad debt expense of \$445,639 has been recorded in the accompanying statement of activities for the year ended June 30, 2007, based on management's evaluation of potential uncollectible promises to give.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

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>2008</u>	<u>2007</u>
Planetarium	\$ -	\$ 4,294,600
BodyQuest	3,088,829	2,246,913
Bugs Backyard	250,000	-
Contributions receivable - other	106,110	407,517
Tennessee Engineering Center	94,629	116,638
Adventure Tower	74,820	98,982
Other	<u>28,557</u>	<u>31,955</u>
	<u>\$ 3,642,945</u>	<u>\$ 7,196,605</u>

Permanently restricted

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

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Lives</u>
Buildings	\$17,822,031	\$ 7,443,908	5 - 40 years
Equipment and exhibits	9,803,885	5,103,202	3 - 20 years
Exhibits – construction in progress	<u>223,434</u>	<u>5,076,626</u>	
	27,849,350	17,623,736	
Less accumulated depreciation	<u>(5,919,860)</u>	<u>(5,230,924)</u>	
	<u>\$21,929,490</u>	<u>\$12,392,812</u>	

Fully depreciated assets amounted to approximately \$920,000 and \$917,000, at June 30, 2008 and 2007, respectively.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Land lease

Land on which the Center's main building and parking lots are located is leased through the year 2017 from the Metropolitan Board of Parks and Recreation of the Metropolitan Government of Nashville and Davidson County, Tennessee, for one dollar per year. The Center has the option to renew the lease at expiration for an additional 50 years at the same terms.

NOTE 6 – OTHER ASSETS

Other assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
STARS show	\$ 594,480	\$ -
Loan Costs	<u>35,659</u>	<u>-</u>
	630,139	-
Less accumulated amortization	<u>(3,962)</u>	<u>-</u>
	<u>\$ 626,177</u>	<u>\$ -</u>

During the year ended June 30, 2008, the Center incurred \$594,480 of costs to produce its new planetarium show. These costs 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 show. Also during the year ended June 30, 2008, the Center incurred \$35,659 in connection with its planetarium note payable. These costs are included in other assets in the accompanying statements of financial position and are being amortized over 6 years, the term of the related loan.

NOTE 7 – INVESTMENTS

	<u>2008</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
Short-term investments	\$ 261,141	\$ 261,451	\$ 310
Stocks	1,338,329	1,404,582	66,253
Corporate bonds	774,662	761,902	(12,760)
Government bonds	62,536	62,802	266
Asset backed securities	176,502	176,772	270
International and other securities	<u>153,916</u>	<u>163,270</u>	<u>9,354</u>
	<u>\$ 2,767,086</u>	<u>\$ 2,830,779</u>	<u>\$ 63,693</u>

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 7 – INVESTMENTS (Continued)

	<u>2007</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
Short-term investments	\$ 151,166	\$ 151,166	\$ -
Stocks	2,003,251	2,462,570	459,319
Corporate bonds	217,592	216,427	(1,165)
Government bonds	178,923	177,305	(1,618)
Asset backed securities	173,440	170,450	(2,990)
International securities	<u>17,631</u>	<u>19,512</u>	<u>1,881</u>
	<u>\$ 2,742,003</u>	<u>\$ 3,197,430</u>	<u>\$ 455,427</u>

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

	<u>2008</u>	<u>2007</u>
Realized gains	\$ 152,239	\$ 19,808
Unrealized (losses) gains	<u>(427,016)</u>	<u>286,199</u>
Net realized and unrealized (losses) gains	(274,777)	306,007
Investment fees	<u>(27,028)</u>	<u>(26,375)</u>
	<u>\$ (301,805)</u>	<u>\$ 279,632</u>

NOTE 8 – TRUST FUND

The Sudekum Trust was established to defray operating expenses of the Sudekum Planetarium through annual contributions from the income of the Trust. The Trust is governed by five directors, including the Center's Board Chair, another designated director and three independent persons. Distributions, which amounted to \$470,436 and \$711,877 in 2008 and 2007, 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 and trust assets are not reported in the Center's statements of financial position.

NOTE 9 – COLLECTIONS

In conformity with the practice followed by many museums, art objects purchased and donated are not included in the statements of financial position. The value of art objects acquired by gift cannot be reasonably estimated and has not been recognized in the statements 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, 2008 and 2007.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

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

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 high quality financial institutions. Uninsured balances per bank at June 30, 2008 and 2007 were \$1,377,887 and \$1,444,507, 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.

Pledges receivable consist of individual and corporate contribution pledges. At June 30, 2008, pledges receivable from three corporate and foundation donors amounted to \$2,680,348, or 53% of total accounts and pledges receivable by the Center. At June 30, 2007, pledges receivable from three corporate and individual donors amounted to \$3,444,874, or 47% of total accounts and pledges receivable by the Center. 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.

NOTE 11 – 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, 2008 and 2007, the Center provided a discretionary matching contribution of \$21,983 and \$30,359, respectively.

NOTE 12 – CAPITAL CAMPAIGN

The Center is conducting a capital campaign for a 33,000 square foot expansion project which includes new exhibit space interpreting sky and space and a new, state-of-the-art planetarium. The new planetarium and the first phase of exhibits opened in June 2008 with the second phase of exhibits to follow in 2009. Net pledges have been recognized as revenue. During the year ended June 30, 2008, approximately \$15,000,000 of building and exhibits were placed into service related to this project.

The Center has received grants from the National Aeronautics and Space Administration ("NASA") amounting to approximately \$1,600,000 to facilitate the purchase of equipment related to completion of the new planetarium. At June 30, 2008, all of these grants had been expended and reimbursed by NASA.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 13 – NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Note payable to bank, matures May 2012 and accrues interest at 6.28%. The note is secured by substantially all real and personal property of the Center. The note requires quarterly payments of \$94,796, including interest.	\$ 1,332,059	\$ 1,616,345
Note payable to bank, \$7,000,000 maximum borrowings available through October 1, 2008, matures October 1, 2013 and accrues interest at LIBOR plus 1.25% (3.73% at June 30, 2008). The note is secured by substantially all real and personal property of the Center and gross pledges of \$4,115,485 at June 30, 2008. The note requires quarterly payments, including interest, through the maturity date.	5,296,610	-
Note payable to bank, matures September 2015 and accrues interest 3.12%. The note requires quarterly payments, including interest, through the maturity date. The note payable is secured by an exhibit with a depreciated value of approximately \$1,458,920 and gross pledges receivable of \$950,107 at June 30, 2008.	<u>2,649,063</u>	<u>3,027,501</u>
	<u>\$ 9,277,732</u>	<u>\$ 4,643,846</u>

A schedule by year, of aggregate principal maturities of notes payable as of June 30, 2008, follows:

Year ending <u>June 30,</u>	
2009	\$ 1,201,432
2010	1,750,546
2011	1,771,250
2012	1,793,286
2013	1,428,529
Thereafter	<u>1,332,689</u>
	<u>\$ 9,277,732</u>

The Center was not in compliance with a financial covenant contained in its credit facility at June 30, 2008, related to new pledges. The Center has received a waiver from its lender for this covenant violation and, as a result, the debt is classified according to its scheduled maturities in the note agreement.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008 and 2007

NOTE 14 – INTEREST

Total interest expense for the years ended June 30, 2008 and 2007 was \$198,651 and \$214,312, respectively. During the year ended June 30, 2008, \$83,228 of interest incurred was capitalized into the cost of the new planetarium building.

NOTE 15 – SUBSEQUENT EVENT

Subsequent to June 30, 2008 and through October 17, 2008, the investment market experienced a significant decline in value, which materially affected the value of the investments held by the Center.

ADDITIONAL INFORMATION

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2008

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,224,053	\$ 185,062	\$ 164,242	\$ 1,573,357
Employee benefits	169,607	14,794	16,006	200,407
Payroll taxes and workers comp.	97,417	13,505	11,829	122,751
 Total payroll and related expenses	 1,491,077	 213,361	 192,077	 1,896,515
 Professional fees and dues	 45,968	 22,719	 293,485	 362,172
Marketing expenses	249,916	-	-	249,916
Interest	198,651	-	-	198,651
Utilities	146,052	16,597	3,319	165,968
Supplies	80,795	10,670	30,903	122,368
Science Center gift shop	110,647	-	-	110,647
Exhibits and programs	75,388	7,633	26,617	109,638
Building maintenance	95,082	-	6,134	101,216
Capital related expense	95,967	-	-	95,967
Equipment costs - main.	87,499	1,970	95	89,564
Printing and publications	44,273	245	16,477	60,995
Fundraising events	-	-	58,773	58,773
Facility rentals	54,525	-	-	54,525
Insurance	32,481	14,734	2,456	49,671
Postage and shipping	15,006	1,346	12,867	29,219
Telephone	12,770	4,257	4,257	21,284
Travel	18,583	1,733	256	20,572
Fundraising expenses	-	-	1,059	1,059
 Total functional expenses before depreciation	 2,854,680	 295,265	 648,775	 3,798,720
 Depreciation and amortization	 923,423	 2,180	 149	 925,752
 Total functional expenses	 <u>\$ 3,778,103</u>	 <u>\$ 297,445</u>	 <u>\$ 648,924</u>	 <u>\$ 4,724,472</u>

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

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