ADVENTURE SCIENCE CENTER – NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2023 and 2022

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

ADVENTURE SCIENCE CENTER – NASHVILLE

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of Adventure Science Center – Nashville (a nonprofit organization) (the "Center"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Cherry Bekaert LLP

Nashville, Tennessee
January 4, 2024

ADVENTURE SCIENCE CENTER – NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 4,705,296	$ 3,605,335
Accounts and pledges receivable, net	1,153,611	1,221,325
Prepaid expenses	119,475	103,491
Inventory	50,252	50,733
Investments	2,655,824	2,306,359
Restricted cash and cash equivalents	831,214	1,099,849
Property and equipment, net of accumulated depreciation	13,172,082	12,856,221
Other assets, net of accumulated amortization	-	2,991
Beneficial interest in charitable remainder unitrust, net	856,593	798,866
Total Assets	$ 23,544,347	$ 22,045,170
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 119,548	$ 137,934
Accrued expenses	329,437	307,751
Deferred revenue	712,098	711,517
Note payable	584,366	737,559
Total Liabilities	1,745,449	1,894,761
Net Assets:		
Without Donor Restrictions:		
Undesignated	16,330,197	14,778,639
Board-designated endowment	2,255,581	1,929,249
Total Without Donor Restrictions	18,585,778	16,707,888
With Donor Restrictions	3,213,120	3,442,521
Total Net Assets	21,798,898	20,150,409
Total Liabilities and Net Assets	$ 23,544,347	$ 22,045,170

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

ADVENTURE SCIENCE CENTER – NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Fees and admissions	$ 4,241,203	$ -	$ 4,241,203
Gifts, appropriations, and private grants	1,949,488	597,390	2,546,878
Science Center shop	568,253	-	568,253
Investment return, net	165,576	26,034	191,610
Other income	99,861	-	99,861
Change in value of beneficial interest in charitable remainder unitrust	-	57,727	57,727
Net assets released from restrictions	910,552	(910,552)	-
Total Revenue	7,934,933	(229,401)	7,705,532
Expenses:			
Program services	4,659,429	-	4,659,429
Management and general	997,715	-	997,715
Fundraising	399,899	-	399,899
Total Expenses	6,057,043	-	6,057,043
Change in net assets	1,877,890	(229,401)	1,648,489
Net assets, beginning of year	16,707,888	3,442,521	20,150,409
Net assets, end of year	$ 18,585,778	$ 3,213,120	$ 21,798,898

ADVENTURE SCIENCE CENTER – NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

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

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

ADVENTURE SCIENCE CENTER – NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,651,852	$ 534,451	$ 209,128	$ 2,395,431
Employee taxes and benefits	286,063	59,763	33,525	379,351
Total Payroll and Related Expenses	1,937,915	594,214	242,653	2,774,782
Advertising	351,652	-	-	351,652
Other expense	114,144	169,967	8,653	292,764
Exhibits and programs	216,099	21,396	20,231	257,726
Utilities	240,516	-	-	240,516
Building maintenance	229,475	177	1,133	230,785
Gift shop	229,787	-	-	229,787
Equipment costs - maintenance	142,432	49,302	4,566	196,300
Credit card fees	121,900	-	26,515	148,415
Professional fees and dues	46,858	69,371	9,771	126,000
Insurance	41,247	50,927	445	92,619
Fundraising events	923	-	70,884	71,807
Telephone and communications	25,390	-	-	25,390
Interest	-	23,442	-	23,442
Postage and shipping	7,888	759	6,027	14,674
Printing	2,975	115	8,521	11,611
Supplies	8,852	2,311	23	11,186
Conferences and meetings	2,248	8,801	-	11,049
Membership and dues	1,525	4,285	300	6,110
Bad debt expense	3,048	-	-	3,048
Bank fees	-	2,636	-	2,636
Travel and mileage	2,192	12	177	2,381
Total Functional Expenses Before Depreciation and Amortization	3,727,066	997,715	399,899	5,124,680
Depreciation and amortization	932,363	-	-	932,363
Total Functional Expenses	$ 4,659,429	$ 997,715	$ 399,899	$ 6,057,043

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

ADVENTURE SCIENCE CENTER – NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

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

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

ADVENTURE SCIENCE CENTER – NASHVILLE
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 1,648,489	$ 4,662,935
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for long-term purposes	(410,000)	(2,146,000)
Depreciation and amortization	932,363	1,063,025
Loss on disposal of property and equipment	4,847	82,006
Change in value of beneficial interest in charitable remainder unitrust	(57,727)	147,377
Net (gain) loss on investments	(191,610)	431,512
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(270,921)	(50,320)
Prepaid expenses	(15,984)	24,854
Inventory	481	(16,250)
Other assets	2,991	-
Accounts payable	(18,386)	66,177
Accrued expenses	21,686	25,389
Deferred revenue	581	161,632
Deferred grant revenue	-	(1,241,674)
Net cash flows from operating activities	1,646,810	3,210,663
Cash flows from investing activities:		
Purchase of property and equipment	(1,253,071)	(1,096,555)
Purchase of investments	(926,840)	(2,069,058)
Proceeds from sale and maturities of investments	768,985	1,791,870
Net cash flows from investing activities	(1,410,926)	(1,373,743)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	748,635	1,130,520
Proceeds from notes payable	-	175,625
Principal payments on notes payable	(153,193)	(129,550)
Net cash flows from financing activities	595,442	1,176,595
Net change in cash, restricted cash, and cash equivalents	831,326	3,013,515
Cash, restricted cash, and cash equivalents, beginning of year	4,705,184	1,691,669
Cash, restricted cash, and cash equivalents, end of year	$ 5,536,510	$ 4,705,184
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	$ 4,705,296	$ 3,605,335
Restricted cash and cash equivalents	831,214	1,099,849
	$ 5,536,510	$ 4,705,184

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

Note 1—Nature of activities

Adventure Science Center – Nashville (the "Center") is a nonprofit corporation organized exclusively to open every mind to the wonders of science and technology, fostering a better understanding of ourselves and the world around us. The Center provides an inspiring, immersive, hands-on learning environment for visitors of all ages to explore the integration of science, technology, engineering, arts, and math (collectively, "STEAM"). The Center's methods of achieving its purpose include more than 50,000 square feet of exhibits combined with a broad variety of educational activities that take place both on and offsite. Over the last several years, the Center has transformed several of its exhibits. The Center is the only of its kind in a 200-mile radius, from which its visitors are primarily drawn. The Center relies on funding from private contributions, local appropriations, grants, program fees, annual memberships, and general admission fees to support its operations.

Note 2—Summary of significant accounting policies

The accompanying financial statements present the financial position and results of operations of the Center in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). A summary of the significant accounting policies utilized in the preparation of these financial statements follows:

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the Board of Directors. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors. Presently, net assets designated by the board are for future needs and the benefits of certain programs.

> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

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

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

Note 2—Summary of significant accounting policies (continued)

Investments – In accordance with standards of accounting for investments prescribed for not-for-profit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities. Fair values are based on the quoted market price on the last business day of the fiscal year. Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets, and ordinary income from investments are accounted for in net assets without donor restrictions unless restricted by the donor.

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

The three levels are explained as follows:

> *Level 1* – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
>
> *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and Equipment – Property and equipment is reported at cost at the date of purchase or at estimated fair value at the date of gift. Depreciation and amortization are calculated by the straight-line method to allocate the cost of depreciable assets over their estimated useful lives starting in the period in which the assets are placed in service. Interest cost on outstanding borrowings is capitalized as part of the cost of acquiring qualifying assets, if significant, during the period required to prepare such assets for intended use.

Contributions – Unconditional promises to give are recorded as assets at their estimated realizable value when received and are generally available for unrestricted use in the related year unless specifically restricted by the donor. An allowance for uncollectible accounts is provided based on past experience with collections and estimated collectability of current receivables. Uncollectible accounts are charged against the allowance in the period they are determined to be uncollectible. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, unless resulting income streams are not predictable. The discount on those amounts is computed using an interest rate commensurate with the risks involved at the time the pledge is initially recognized. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

Note 2—Summary of significant accounting policies (continued)

Contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that prescribe or limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Deferred Revenue – Receipts from the sale of tickets to special events, reservations for school programs, camps, and tickets to the planetarium for dates after the end of the year is deferred as unearned revenue. Admission fees are recognized as services are rendered. Membership revenues are recognized ratably over the term of the membership and are included in gifts, appropriations, and private grants on the accompanying statements of activities.

Donated Materials and Services – Donated materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, is performed by a donor who possesses such skills, and would have been purchased by the Center if not donated. Such services are recognized at fair value as support and expense in the period the services are performed. There were no significant donated materials and services during the years ended June 30, 2023 or 2022.

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, 2023 and 2022, volunteers provided approximately 5,600 and 5,400 hours of service, respectively, to various Center programs.

The Center follows Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard has an immaterial effect on the Center's financial statements. Generally, the Center has recognized the contribution of professional services and supplies at market value. Such items have been maintained for use in the Center. There have been no donor restrictions placed on such contributions.

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.

Note 2—Summary of significant accounting policies (continued)

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that have been allocated consist primarily of salaries and related expenses and have been allocated based on time and effort.

Advertising Costs – The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to $351,562 and $301,081 during the years ended June 30, 2023 and 2022, respectively.

Income Taxes – The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, federal income taxes have not been recorded in the accompanying financial statements.

The Center follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Center has no tax penalties or interest reported in the accompanying financial statements. The Center had no uncertain tax positions at June 30, 2023 or 2022.

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. As of June 30, 2023, these costs were fully depreciated and as of June 30, 2022, these costs were included in other assets on the statement of financial position.

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

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

Note 2—Summary of significant accounting policies (continued)

Endowment Funds – U.S. GAAP requires that a nonprofit organization classify the portion of a donor-restricted endowment fund that is not restricted in perpetuity by the donor or by law as net assets with donor restrictions (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, net assets with donor restrictions are reclassified to net assets without donor restrictions. The guidance also requires additional disclosures applicable to all not-for-profit organizations.

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 January 4, 2024, when these financial statements were available to be issued.

Recently Adopted Accounting Pronouncements – On July 1, 2022, the Center adopted the FASB ASU 2016-02, *Leases (Topic 842)*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statement of financial position. The Center adopted this ASU using the modified retrospective approach. Adoption of this standard did not have a material impact on the Center's statement of net position, activities, or cash flows.

Recently Issued Accounting Pronouncement – In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended June 30, 2024. The Center is currently evaluating the effect the adoption of this ASU will have on the financial statements.

Note 3—Revenue recognition

The Center follows Accounting Standards Codification ("ASC") 606. Under ASC 606, revenue is recognized when the Center transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations and Revenue Recognition – A performance obligation is a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when, or as, the performance obligation is satisfied. The contract obligation for fees and admissions and gift shop sales are satisfied at the time these services are provided or when a good is transferred to the customer. The contract performance obligation for memberships is performed over the membership or contract period.

Note 3—Revenue recognition (continued)

Admissions Fees and Camps – A portion of the Center's revenue is derived from the sales of admissions tickets, planetarium shows, and summer camps hosted by the Center. Due to the nature of these transactions, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized once the requirement has been met. Once the admissions ticket is used, or camp is held, the performance obligation is considered to have been met. These transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the good or service purchased.

Science Center Shop Sales – A portion of the Center's revenue is derived from gift shop sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sale transaction, and amounts received are recognized as revenue once the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payments in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

Memberships – A portion of the Center's revenue is derived from membership sales. These transactions have no variable consideration and one performance obligation. Such revenue is conditioned upon meeting the performance obligation over the term of membership and amounts received are recognized over this term. These transactions are considered contracts with customers as they have commercial substance through the transaction of cash payment in return for the good purchased. Membership revenue for the years ended June 30, 2023 and 2022 amounted to $733,098 and $562,032, respectively, and is included in gifts, appropriations, and private grants on the statements of activities.

Contract Balance – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled $712,098 and $711,517 as of June 30, 2023 and 2022, respectively. Deferred revenue represents income from membership dues, camps and educational programs, and gift cards. These items are recorded as deferred revenue when received and recognized over the term of membership, when the camp or educational program is hosted, and when the gift cards are redeemed.

The following table provides information about significant changes in the contract liabilities for the year ended June 30, 2023:

	Membership Dues	Camps and Education	Gift Cards	Other	Total
Deferred revenue, beginning of year	$ 365,137	$ 178,479	$ 42,746	$ 125,155	$ 711,517
Revenue recognized that was included in deferred revenue at beginning of year	(365,137)	(178,479)	(14,019)	(125,155)	(682,790)
Increase in deferred revenue due to cash received during the year	417,612	156,869	24,020	84,870	683,371
Deferred revenue, end of year	$ 417,612	$ 156,869	$ 52,747	$ 84,870	$ 712,098

Note 4—Liquidity and availability of resources

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Center considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 4—Liquidity and availability of resources (continued)

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the statement of financial position, comprise the following at June 30:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 4,705,296	$ 3,605,335
Accounts and pledges receivable, net	1,153,611	1,221,325
Investments	2,655,824	2,306,359
Restricted cash and cash equivalents	831,214	1,099,849
Beneficial interest in charitable remainder unitrust, net	856,593	798,866
Total financial assets	10,202,538	9,031,734
Less amounts not available to be used for general expenditures within one year:		
Assets subject to designations	2,255,581	1,929,249
Assets subject to restrictions	3,213,120	3,442,521
Total amounts not available to be used for general expenditures within one year	5,468,701	5,371,770
Financial assets available to meet cash needs for general expenditures within one year	$ 4,733,837	$ 3,659,964

Board-designated endowment of $2,255,581 and $1,929,623 at June 30, 2023 and 2022, respectively, is subject to the Center's spending policy, as described in Note 14. The Center does not intend to spend from the board-designated endowment other than amounts appropriated for general expenditures in accordance with the spending policy and has deducted the funds from financial assets available in the table above. However, these amounts could be made available if necessary.

Note 5—Accounts and pledges receivable

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

	2023	2022
Less than one year	$ 1,115,070	$ 1,167,071
One to five years	10,000	-
Pledges receivable	1,125,070	1,167,071
Program related receivables	28,541	54,254
Accounts and pledges receivable, net	$ 1,153,611	$ 1,221,325

Note 6—Investments

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

	2023	2022
Equity funds	$ 370,240	$ 375,052
Corporate bonds	1,125,117	965,877
Exchange traded funds	907,834	678,402
Short-term investments	141,326	56,281
Intermediate duration bonds	-	115,299
International equity funds	94,368	86,343
Other	16,939	29,105
	$ 2,655,824	$ 2,306,359

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

	2023	2022
Realized and unrealized gain (loss)	$ 151,022	$ (405,978)
Interest and dividends	64,992	45,315
Net realized and unrealized gain (loss)	216,014	(360,663)
Investment fees	(24,404)	(25,534)
Net investment (loss) gain	$ 191,610	$ (386,197)

Note 7—Beneficial interest in trust

The Center has been named as a beneficiary of a charitable remainder unitrust, held and administrated by a third party. The Center receives the balance of the assets remaining in the trust upon termination of the trust. In the event 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 $856,593 and $798,866 as of June 30, 2023 and 2022, respectively. The beneficial interest in trust is considered a Level 3 asset. The following table sets forth a summary of changes in the fair value of the beneficial interest in trust for the years ended June 30:

	2023	2022
Balance, beginning of year	$ 798,866	$ 946,243
Change in fair value	57,727	(147,377)
Balance, end of year	$ 856,593	$ 798,866

Note 8—Property and equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Lives	2023	2022
Buildings	5 - 40 years	$ 19,036,093	$ 18,895,993
Equipment and exhibits	3 - 30 years	13,309,614	13,928,068
Construction in progress		750,669	294,033
		33,096,376	33,118,094
Less accumulated depreciation		(19,924,294)	(20,261,873)
		$ 13,172,082	$ 12,856,221

Fully depreciated assets amounted to approximately $13,394,000 and $13,490,000 at June 30, 2023 and 2022, respectively. Land on which the Center's main building and parking lots are located is leased through the year 2065 from the Metropolitan Board of Parks and Recreation of the Metropolitan Government of Nashville and Davidson County, Tennessee, for one dollar per year. The Center has the option to renew the lease at expiration for an additional 50 years at the same terms.

Note 9—Other assets

Other assets consist of the following at June 30:

	2023	2022
Planetarium shows	$ 786,259	$ 786,259
Less accumulated amortization	(786,259)	(783,268)
	$ -	$ 2,991

Costs to develop planetarium shows have been capitalized and included in other assets in the accompanying statements of financial position. The costs are being amortized over a period of between 5 and 10 years, the expected life of the shows.

Note 10—Trust fund

The Sudekum Memorial Trust (the "Trust") is required to distribute net income and principal to be used for the primary purpose of ongoing capital expenditures, both those of a routine and periodic nature, as well as unexpected and extraordinary expenditures, and the cost to develop, produce, lease, and purchase programs to be displayed in the planetarium. The Trust is obligated to distribute a minimum of 3.5% of the net fair value of Trust assets to the Center each year. The Trust is governed by a committee of five trustees, including the Center's board chair, who also serves as the Trust's chair; another member of the Center's Board of Trustees, two Trust family members, and a lifetime member (general counsel). Distributions, which amounted to $86,623 and $231,849 in 2023 and 2022, respectively, are recorded in gifts, appropriations, and private grants. The Trustees have full discretion as to the timing of distributions and may elect to use Trust funds for another purpose. Accordingly, contribution support is recorded when distributions are received or a pledge to distribute funds has been made. Trust assets are not reported in the Center's statements of financial position.

Note 11—Line of credit

At June 30, 2023, the Center had available a $500,000 revolving line of credit with a bank. Payments of interest only at a variable rate (8.25% at June 30, 2023), are due monthly. The line of credit is due on demand and may be terminated by the bank at any time. Total outstanding borrowings under the line of credit were $-0- at June 30, 2023 and 2022. The line of credit is secured by a negative pledge agreement. The Center is required to maintain a zero balance on the line of credit for at least one 30-consecutive day period during each consecutive 12-month or a 364-day period. The Center satisfied this requirement for the years ended June 30, 2023 and 2022.

Note 12—Note payable

The Center has a note payable from a financial institution that provides for interest at 3.75% with 83-consecutive monthly installments of principal and interest beginning in April 2021. A final payment equal to unpaid principal and interest is due in March 2028. Additionally, in October 2021, the Center entered into a note payable from a financial institution that provides for interest at 2.05% with 36-consecutive monthly installments of principal and interest beginning in November 2021. A final payment equal to unpaid principal and interest is due in October 2024. Total interest expense for the years ended June 30, 2023 and 2022 was $23,442 and $26,950, respectively. The notes are secured by a negative pledge agreement and equipment.

Scheduled principal maturities are as follows at June 30, 2023:

Years Ending June 30,		
2024	$	158,348
2025		123,047
2026		106,712
2027		110,783
2028		85,476
	$	584,366

Note 13—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30:

		2023		2022
Beneficial interest in charitable remainder unitrust	$	856,593	$	798,866
Endowment for staff development		338,522		324,500
Pledges		1,125,070		1,167,071
Scholarships		61,721		52,235
Other		831,214		1,099,849
	$	3,213,120	$	3,442,521

Note 14—Endowment

The Center's endowment was established to further its programs. The endowment comprises funds designated by the Board of Trustees to function as endowments and donor funds designated as an endowment for staff development. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Center has interpreted UPMIFA as requiring that the Center classify as net assets with donor restriction a) the original value of donor-restricted gifts to the endowment, b) the original value of subsequent donor-restricted gifts to the endowment, and c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are approved for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Endowment net asset composition by type of fund as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 338,522	$ 338,522
Board designated	2,255,581	-	2,255,581
Total endowment funds	$ 2,255,581	$ 338,522	$ 2,594,103

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 324,500	$ 324,500
Board designated	1,929,249	-	1,929,249
Total endowment funds	$ 1,929,249	$ 324,500	2,253,749

Note 14—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,929,249	$ 324,500	$ 2,253,749
Investment return, net	167,851	16,169	184,020
Contributions	158,481	-	158,481
Appropriations for expenditure	-	(2,147)	(2,147)
Endowment net assets, end of year	$ 2,255,581	$ 338,522	$ 2,594,103

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with U.S. GAAP, any deficiencies of this nature are reported in net assets with donor restrictions. There were no donor restricted endowment funds with balances below amounts required to retain perpetual balances at June 30, 2023 or 2022. The endowment corpus as of June 30, 2023 and 2022 is approximately $250,000 with accumulated gains of $88,500 and $74,500, respectively.

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 15—Concentrations

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

The Center maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes the Center is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2023 and 2022 totaled $5,194,020 and $4,389,053, respectively.

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

The Center received a significant amount of support from government grants related to COVID-19 during the years ended June 30, 2023 and 2022. These grants are subject to audit and retroactive adjustment by grantor agencies. Management does not expect the results of any audits to have a significant impact on amounts awarded.

During the years ended June 30, 2023 and 2022, the Center received approximately 20% and 37% of contribution revenue from two donors.

Note 16—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. Subsequent to June 30, 2023, employees are eligible to contribute to the plan upon reaching age 18 and completing one month of qualified service. Employees are eligible to receive matching and discretionary contributions upon reaching age 18 and completing one year of qualified service. For the years ended June 30, 2023 and 2022, the Center provided a discretionary matching contribution of $29,715 and $28,057, respectively.

Note 17—Supplemental cashflow information

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

	2023	2022
Supplemental cash flow information:		
Cash paid during the year for interest	$ 23,442	$ 21,617
Supplemental noncash investing and financing activities:		
Change in value of beneficial interest in charitable remainder unitrust	$ 57,727	$ (147,377)