

ADVENTURE SCIENCE CENTER – NASHVILLE

FINANCIAL STATEMENTS

June 30, 2006 and 2005

ADVENTURE SCIENCE CENTER – NASHVILLE

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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, a Tennessee not-for-profit corporation (the "Center"), as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our 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, 2006 and 2005, 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 made for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information on pages 17 and 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard PLLC

February 24, 2007

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005

	Assets	
	2006	2005
Cash and cash equivalents	\$ 105,201	\$ 61,254
Accounts and pledges receivable, net	3,716,035	3,766,199
Prepaid expenses	47,803	10,855
Inventory	12,064	15,044
Restricted/designated cash and cash equivalents	2,041,443	557,885
Property and equipment, net of accumulated depreciation	9,046,316	9,630,077
Investments, substantially restricted	2,757,170	2,761,332
Total assets	\$17,726,032	\$16,802,646
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 290,156	\$ 384,742
Accrued expenses	261,274	253,793
Deferred program and exhibit revenue	58,952	46,142
Notes payable	5,667,834	5,964,935
Total liabilities	6,278,216	6,649,612
Net assets:		
Unrestricted - designated for capital replacement	3,742,425	4,169,177
Temporarily restricted	6,082,523	4,360,989
Permanently restricted	1,622,868	1,622,868
Total net assets	11,447,816	10,153,034
Total liabilities and net assets	\$17,726,032	\$16,802,646

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006 With Summarized Comparative Information for 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2006</u>	<u>2005</u>
Revenue:					
Gifts, appropriations, and private grants	\$ 1,682,342	\$ 3,114,352	\$ -	\$ 4,796,694	\$ 5,134,577
Fees and admissions	1,296,505	-	-	1,296,505	1,044,580
Science Center shop	177,688	-	-	177,688	169,225
Interest and dividend income	106,128	-	-	106,128	74,286
Net gain on investments	141,130	-	-	141,130	33,905
Other income	5,581	-	-	5,581	6,630
Net assets released from restrictions	722,648	(722,648)	-	-	-
Total revenue	<u>4,132,022</u>	<u>2,391,704</u>	<u>-</u>	<u>6,523,726</u>	<u>6,463,203</u>
Expenses:					
Program services	3,512,539	-	-	3,512,539	2,882,808
Management and general	364,743	-	-	364,743	317,371
Fundraising	681,492	-	-	681,492	586,635
Total expenses	<u>4,558,774</u>	<u>-</u>	<u>-</u>	<u>4,558,774</u>	<u>3,786,814</u>
Losses:					
Provision for loss on uncollectible contributions	-	670,170	-	670,170	906,028
Change in net assets	(426,752)	1,721,534	-	1,294,782	1,770,361
Net assets - beginning of year	<u>4,169,177</u>	<u>4,360,989</u>	<u>1,622,868</u>	<u>10,153,034</u>	<u>8,382,673</u>
Net assets - end 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>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005 With Summarized Comparative Information for 2004

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

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating activities:		
Change in net assets	\$ 1,294,782	\$ 1,770,361
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long-term purposes	(3,114,352)	(3,565,816)
Provision for uncollectible contributions	670,170	906,028
Depreciation	999,219	650,662
Loss on disposition of property and equipment	12,464	136,331
Net realized and unrealized gains on investments	(129,874)	(47,063)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	442,658	(349,335)
Prepaid expenses	(36,948)	2,091
Inventory	2,980	(3,151)
Accounts payable	87,807	(21,558)
Accrued expenses	7,481	71,306
Deferred program and exhibit revenue	12,810	(1,427)
Net cash provided by (used in) operating activities	<u>249,197</u>	<u>(451,571)</u>
Investing activities:		
Purchase of property and equipment	(386,065)	(2,908,908)
Purchase of investments	(650,938)	(2,300,287)
Proceeds from sale of investments	784,974	1,366,277
Increase in restricted cash and cash equivalents	<u>(1,483,558)</u>	<u>(188,140)</u>
Net cash used in investing activities	<u>(1,735,587)</u>	<u>(4,031,058)</u>
Financing activities:		
Proceeds from note payable	-	3,191,789
Payments on accounts payable for additions to property and equipment	(224,250)	(567,208)
Proceeds from contributions restricted for investment in property and equipment	2,051,688	2,140,095
Principal payments on notes payable	<u>(297,101)</u>	<u>(281,970)</u>
Net cash provided by financing activities	<u>1,530,337</u>	<u>4,482,706</u>
Increase in cash and cash equivalents	43,947	77
Cash and cash equivalents - beginning of year	<u>61,254</u>	<u>61,177</u>
Cash and cash equivalents - end of year	<u>\$ 105,201</u>	<u>\$ 61,254</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	<u>\$ 251,065</u>	<u>\$ 199,135</u>
Accounts payable for additions to property and equipment	<u>\$ 41,857</u>	<u>\$ 224,250</u>

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 1 – NATURE OF ACTIVITIES

Adventure Science Center-Nashville (“the Center”) is a non-profit corporation organized exclusively for charitable, educational and scientific purposes. The Center, formerly the Cumberland Science Museum, serves the community as Adventure Science Center. The Center provides learning experiences in various sciences – health, earth, sound & light, creativity and invention, energy and space – through the use of participatory exhibits and programs especially through the Adventure Tower, BodyQuest and the Sudekum Planetarium. It is the only Center of its kind in the 200-mile radius from which its visitors are primarily drawn. The Center receives funding from local appropriations, private contributions, fees, and admissions to exhibits and programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

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

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

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

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

Revenue Recognition

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

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances, money market accounts and certificates of deposit with original maturities of three months or less when acquired and are stated at cost plus accrued interest, which approximates market value. Cash equivalents also include investments in securities on an overnight basis subject to repurchase by the bank in accordance with a repurchase agreement. Cash and cash equivalents in investment accounts designated for long-term purposes, or restricted for major construction projects, are excluded from the definition of cash and cash equivalents.

Investments

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

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

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

Property and Equipment

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

Donated Materials and Services

Donated materials are recorded as gifts in the period received at fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, is performed by a donor who possesses such skills, and would have been purchased by the Center if not donated. Such services are recognized at fair value as support and expense in the period the services are performed. There were no significant donated materials and services in fiscal 2006 and 2005. Unpaid volunteers have made significant contributions of their time to assist the Center in implementing various programs and exhibits. The value of contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation and generally does not comply with specialized skill requirements necessary to record such volunteer services by professional standards. However, during the years ended June 30, 2006 and 2005, volunteers provided approximately 22,300 and 19,200 hours of service, respectively, to various center programs.

Functional Allocation of Expenses

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

Program services – includes activities carried out to fulfill the Center mission, resulting in services being provided to beneficiaries, customers and members. Program services are the major purpose for the organization. The Center's program services include exhibit activities, life, social, health and physical programs, planetarium operation, advertising and media costs directly related to programs and exhibits, and the cost of operating the Center's gift shop.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

Management and general – relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

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 are not provided in the accompanying financial statements.

Capitalization of Exhibit Costs

Costs of long-lived exhibits are capitalized and depreciated over their estimated useful lives. Such costs include allocable payroll costs, representing the time spent by the Center staff in constructing or creating these exhibits.

Advertising Costs

The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to \$286,288 in 2006, and \$352,745 (including in-kind services of \$27,000) in 2005.

Compensated Absences

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

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform with 2006 presentation.

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

Program related receivables, that are included in accounts and pledges receivable, total \$31,124 at June 30, 2006 (\$11,588 in 2005).

Unconditional promises to give, that are included in accounts and pledges receivable at June 30, 2006, are collectible over the following period:

Less than one year	\$ 2,447,677
One to five years	2,901,550
Over five years	<u>400,000</u>
	5,749,227
Less discount to net present value	<u>(435,018)</u>
	5,314,209
Less allowance for uncollectibles	<u>(1,629,298)</u>
	<u>\$ 3,684,911</u>

Discounted unconditional promises to give, that are included in accounts and pledges receivable, include \$17,197 restricted for the Engineers' capital improvements and facilities, \$236,453 restricted for the adventure tower capital project, \$2,060,221 restricted for the BodyQuest capital project, \$1,844,113 restricted for planetarium capital project and \$1,156,225 for other purposes at June 30, 2006. A provision for loss on uncollectible contributions of \$670,170 has been recorded in the accompanying statement of activities for the year ended June 30, 2006 based on management's evaluation of potential uncollectible promises to give at June 30, 2006.

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:

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 4 – RESTRICTED NET ASSETS (Continued)

	<u>2006</u>	<u>2005</u>
BodyQuest	\$ 2,702,228	\$ 2,716,870
Time restricted	534,200	996,395
Adventure Tower	319,078	501,131
Tennessee Engineering Center	140,850	111,659
Other	34,342	31,705
Planetarium	<u>2,351,825</u>	<u>3,229</u>
	<u>\$ 6,082,523</u>	<u>\$ 4,360,989</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>2006</u>	<u>2005</u>	<u>Estimated Useful Lives</u>
Buildings	\$ 7,444,278	\$ 7,428,100	5 - 40 years
Adventure Tower and related exhibits	944,606	944,606	5 - 40 years
Body Quest and related exhibits	2,924,627	2,862,646	7 - 10 years
Equipment and other exhibits	1,320,985	1,550,796	3 - 20 years
Exhibits – construction in progress	<u>964,493</u>	<u>718,847</u>	
	13,598,989	13,504,995	
Less accumulated depreciation	<u>(4,552,673)</u>	<u>(3,874,918)</u>	
	<u>\$ 9,046,316</u>	<u>\$ 9,630,077</u>	

Fully depreciated assets amounted to approximately \$551,000 and \$825,000, at June 30, 2006 and 2005, respectively.

Land lease

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

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 6 – INVESTMENTS

	2006		
	Cost	Fair Value	Unrealized Gain (loss)
Cash and equivalents	\$ 192,866	\$ 192,866	\$ -
Stocks	470,775	494,690	23,915
Corporate bonds	374,540	372,225	(2,315)
Government bonds	291,082	282,173	(8,909)
Mutual funds	1,159,899	1,320,793	160,894
Asset backed securities	80,182	78,613	(1,569)
International securities	15,859	15,810	(49)
	<u>\$ 2,585,203</u>	<u>\$ 2,757,170</u>	<u>\$ 171,967</u>

	2005		
	Cost	Fair Value	Unrealized Gain (loss)
Cash and equivalents	\$ 1,050,207	\$ 1,050,207	\$ -
Corporate bonds	241,065	254,141	13,076
Government bonds	150,000	148,844	(1,156)
Mutual funds	1,224,366	1,289,390	65,024
Asset backed securities	18,750	18,750	-
	<u>\$ 2,684,388</u>	<u>\$ 2,761,332</u>	<u>\$ 76,944</u>

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

	2006	2005
Realized gains (losses)	\$ 61,473	\$ 101,894
Unrealized (losses) gains	<u>102,156</u>	<u>(54,831)</u>
Net realized and unrealized gains	163,629	47,063
Investment fees	<u>(22,499)</u>	<u>(13,158)</u>
	<u>\$ 141,130</u>	<u>\$ 33,905</u>

NOTE 7 – TRUST FUND

The Sudekum Trust was established to defray operating expenses of the Sudekum Planetarium through annual contributions from the income of the Trust. Distributions may also be made from Trust principal to defray the cost of capital expenditures related to the Planetarium provided the principal of the Trust is not reduced below a specified balance. The Trust is governed by five

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 7 – TRUST FUND (Continued)

directors, including the Center's Board Chair, another designated director and three independent persons. Distributions, which amounted to \$60,000 in 2006 and 2005, are recorded as unrestricted gifts, appropriations and private grants. The trustees have full discretion as to the timing of distributions and may elect to use Trust funds for another purpose. Accordingly, contribution support is recorded when distributions are received and trust assets are not reported in the Center's statement of financial position.

NOTE 8 – COLLECTIONS

In conformity with the practice followed by many museums, art objects purchased and donated are not included in the statement of financial position.

The value of art objects acquired by gift cannot be reasonably estimated and has not been recognized in the statement of activities.

The cost of art objects purchased is reported under programs and exhibits expense. There were no material art objects purchased or donated during the years ended June 30, 2006 and 2005.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

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

Pledges receivable consist of individual and corporate contribution pledges. At June 30, 2006, pledges receivable from three corporate and individual donors amounted to \$3,182,521, or 60% of total accounts and pledges receivable by the Center. At June 30, 2005, pledges receivable from four corporate donors amounted to \$3,515,530, or 75% of total accounts and pledges receivable by the Center. 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.

The Center generally maintains its cash balances in one financial institution which, at times, may exceed federally insured limits. Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 per bank. In Management's opinion, the risk is mitigated by the use of a high quality financial institution. Uninsured balances per bank at June 30, 2006 and 2005, were \$1,435,942 and \$1,495,135, 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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Center provides its employees with a 401(k) retirement plan (the “Plan”). Employees are eligible to contribute to the Plan upon reaching age 18 and completing three months of qualified service. Employees are eligible to receive matching and discretionary contributions upon reaching age 21 and completing one year of qualified service. For the years ended June 30, 2006 and 2005, the Center provided a discretionary matching contribution of \$26,406 and \$14,089, respectively.

NOTE 11 – CAPITAL CAMPAIGNS

The Center has significant receivables at June 30, 2006 related to its capital campaign for BodyQuest exhibit and other related and unrelated renovations. As of June 30, 2006, the Center has net pledges of \$4,814,961, of which \$2,754,740 has been collected. Pledges have been recognized as revenue, net of an allowance for uncollectible pledges of \$969,173.

Additionally, the Center has initiated a capital campaign for a Sky and Space exhibit and other related and unrelated renovations. As of June 30, 2006, the Center has net pledges of \$3,018,755, of which \$1,174,642 has been collected. Net pledges have been recognized as revenue. During the past year, work has continued on the sky and space wing project including a new planetarium and exhibit area. Costs incurred in these efforts have either been expensed as program and fundraising expenditures, as applicable, amounting to approximately \$11,000 in 2006 and \$30,000 in 2005, or capitalized as construction in progress (\$777,658 and \$309,500 at June 30, 2006 and 2005, respectively). The Sudekum Trust and family have reimbursed much of the costs incurred to date. These reimbursements have been recognized as revenue in 2006 and 2005. If the project is significantly delayed or abandoned, the capitalized portion of those costs could be subject to impairment and charged to expense in future periods.

The Center has received conditional approval of grants from the National Aeronautics and Space Administration amounting to approximately \$1,600,000 to facilitate the purchase of equipment related to completion of the new planetarium.

NOTE 12 – NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Note payable to bank, matures May 2012 and accrues interest at 6.28%. The loan requires quarterly payments of \$94,796, including interest.	\$ 1,883,458	\$ 2,134,433
Note payable to bank, matured April 2006 and accrued interest at prime minus .5% annually. The loan required quarterly payments of \$11,539, plus interest, with the balance of principal and interest payable upon maturity. Secured by equipment.	-	46,126

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2006 and 2005

NOTE 12 – NOTES PAYABLE (Continued)

Note payable to bank, matures September 2015 and accrues interest at a floating rate (3.12% at June 30, 2006). The loan requires quarterly payments, including interest, through the maturity date. The note payable is secured by an exhibit with a book value of approximately \$1,690,205 and gross pledges receivable of \$2,060,221 at June 30, 2006.

<u>3,784,376</u>	<u>3,784,376</u>
<u>\$ 5,667,834</u>	<u>\$ 5,964,935</u>

A schedule by year, of aggregate principal maturities of notes payable as of June 30, 2006, follows:

Year ending <u>June 30,</u>	
2007	\$ 1,014,757
2008	653,493
2009	671,771
2010	691,224
2011	711,928
Thereafter	<u>1,924,661</u>
	<u>\$ 5,667,834</u>

NOTE 13 – INTEREST

Total interest expense incurred for the years ended June 30, 2006 and 2005 was \$250,118 and \$211,312, respectively, of which \$57,094 was capitalized in property, plant and equipment additions in 2005.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,056,170	\$ 113,383	\$ 288,836	\$ 1,458,389
Employee benefits	142,422	26,940	63,537	232,899
Payroll taxes/workers comp.	78,990	10,763	21,684	111,437
 Total payroll and related expenses	 1,277,582	 151,086	 374,057	 1,802,725
Marketing general expenses	254,600	-	-	254,600
Interest expense	250,118	-	-	250,118
Exhibits and programs	185,384	-	-	185,384
New exhibit development and fundraising	41,219	-	115,648	156,867
Utilities	131,463	20,106	3,093	154,662
Professional fees and dues	73,768	18,786	29,582	122,136
Building maintenance	96,193	14,712	2,263	113,168
Science Center shop	97,068	-	-	97,068
Insurance	35,806	16,526	2,754	55,086
Facility rentals	12,875	38,734	-	51,609
Fundraising events	-	-	49,838	49,838
Fundraising - outsourcing	-	-	47,504	47,504
Equipment rental and maintenance	34,188	6,013	2,769	42,970
Miscellaneous	17,336	7,417	9,638	34,391
Printing and publications	24,531	-	9,215	33,746
Supplies	12,078	10,927	8,172	31,177
Telephone	13,505	6,138	4,911	24,554
Travel	7,975	2,566	4,566	15,107
Volunteers	14,001	-	-	14,001
Postage and shipping	3,575	1,787	6,553	11,915
Fundraising - other	-	-	10,929	10,929
 Total functional expenses before depreciation	 2,583,265	 294,798	 681,492	 3,559,555
Depreciation	929,274	69,945	-	999,219
 Total functional expenses	 \$ 3,512,539	 \$ 364,743	 \$ 681,492	 \$ 4,558,774

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

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