ADVENTURE SCIENCE CENTER-NASHVILLE

FINANCIAL STATEMENTS

June 30, 2014 and 2013

ADVENTURE SCIENCE CENTER-NASHVILLE

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FRASIERDEAN
HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Adventure Science Center-Nashville (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Frasier, Dean & Howard, PLLC

November 11, 2014
Nashville, Tennessee

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

Assets

	2014	2013
Cash and cash equivalents	$ 1,231,273	$ 904,648
Accounts and pledges receivable, net	125,359	487,762
Prepaid expenses	131,950	174,938
Inventory	11,364	15,781
Investments	1,887,046	1,759,663
Restricted cash and cash equivalents	261,645	458,755
Property and equipment, net of accumulated depreciation	15,060,588	15,758,600
Other assets, net of accumulated amortization	281,273	350,424
Beneficial interest in charitable remainder unitrust, net	661,169	609,653
Total assets	$ 19,651,667	$ 20,520,224

Liabilities and Net Assets

	2014	2013
Liabilities:		
Accounts payable	$ 125,277	$ 61,085
Accrued expenses	127,694	165,084
Deferred revenue	144,850	123,041
Note payable	1,446,166	1,744,453
Total liabilities	1,843,987	2,093,663
Net assets:		
Unrestricted:		
Undesignated	14,910,361	15,123,744
Board-designated endowment	1,834,766	1,712,143
Total unrestricted	16,745,127	16,835,887
Temporarily restricted	1,062,553	1,590,674
Total net assets	17,807,680	18,426,561
Total liabilities and net assets	$ 19,651,667	$ 20,520,224

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Fees and admissions	$ 2,374,802	$ -	$ 2,374,802
Gifts, appropriations, and private grants	1,518,849	131,986	1,650,835
Science Center shop	240,368	-	240,368
Net gain on investments	169,265	5,388	174,653
Change in value of beneficial interest in charitable remainder unitrust	-	51,516	51,516
Interest and dividend income	47,100	1,172	48,272
Other income	38,630	-	38,630
Net assets released from restrictions	718,183	(718,183)	-
Total revenue	5,107,197	(528,121)	4,579,076
Expenses:			
Program services	4,008,486	-	4,008,486
Management and general	323,881	-	323,881
Fundraising	448,958	-	448,958
Total expenses	4,781,325	-	4,781,325
Change in net assets from operations	325,872	(528,121)	(202,249)
Nonoperating items:			
Cancellation of pledge	(300,000)	-	(300,000)
Write off of exhibit planning costs	(116,632)	-	(116,632)
Change in net assets	(90,760)	(528,121)	(618,881)
Net assets - beginning of year	16,835,887	1,590,674	18,426,561
Net assets - end of year	$ 16,745,127	$ 1,062,553	$ 17,807,680

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Fees and admissions	$ 2,315,750	$ -	$ 2,315,750
Gifts, appropriations, and private grants	1,140,845	158,218	1,299,063
Science Center shop	245,025	-	245,025
Net gain on investments	98,049	-	98,049
Change in value of beneficial interest in charitable remainder unitrust	-	51,197	51,197
Interest and dividend income	43,430	5,072	48,502
Other income	34,590	-	34,590
Net assets released from restrictions	517,080	(517,080)	-
Total revenue	4,394,769	(302,593)	4,092,176
Expenses:			
Program services	4,414,327	-	4,414,327
Management and general	373,918	-	373,918
Fundraising	322,731	-	322,731
Total expenses	5,110,976	-	5,110,976
Change in net assets	(716,207)	(302,593)	(1,018,800)
Net assets - beginning of year	17,552,094	1,893,267	19,445,361
Net assets - end of year	$ 16,835,887	$ 1,590,674	$ 18,426,561

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (618,881)	$(1,018,800)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(37,608)	(34,218)
Cancellation of pledges receivable	300,000	200
Depreciation and amortization	841,624	1,396,987
Write off of exhibit planning costs and fixed asset disposals	116,632	105
Change in value of derivative financial instrument	-	(25,011)
Change in value of beneficial interest in charitable remainder unitrust	(51,516)	(51,197)
Net gain on investments	(174,653)	(98,049)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(23,106)	55,029
Prepaid expenses	42,988	(30,215)
Inventory	4,417	15,288
Accounts payable	64,192	(28,045)
Accrued expenses	(37,390)	17,162
Deferred revenue	21,809	21,927
Net cash provided by operating activities	448,508	221,163
Cash flows from investing activities:		
Purchase of property and equipment	(191,093)	(130,254)
Purchase of investments	(518,709)	(503,355)
Proceeds from sale of investments	565,979	457,593
Decrease in restricted cash and cash equivalents	197,110	149,115
Net cash provided by (used in) investing activities	53,287	(26,901)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	123,117	151,639
Principal payments on notes payable	(298,287)	(76,084)
Net cash (used in) provided by financing activities	(175,170)	75,555
Net increase in cash and cash equivalents	326,625	269,817
Cash and cash equivalents - beginning of year	904,648	634,831
Cash and cash equivalents - end of year	$ 1,231,273	$ 904,648

See accompanying notes.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 – NATURE OF ACTIVITIES

Adventure Science Center-Nashville (the "Center") is a nonprofit corporation organized exclusively for charitable, educational, and scientific purposes. The Center, formerly the Cumberland Science Museum, serves the community as Adventure Science Center. The Center provides an exciting and didactic environment for visitors of all ages to better understand science, technology, engineering and health through participatory exhibits, demonstrations, and a variety of educational activities and programs including Adventure Tower, BodyQuest, Space Chase and the Sudekum Planetarium. It is the only center of its kind in a 200-mile radius, from which its visitors are primarily drawn. The Center receives funding from private contributions, local appropriations, grants, program fees and admissions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

> **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
>
> **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time.
>
> **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes. The Center had no permanently restricted net assets at June 30, 2014 and 2013.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (Continued)

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.

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 an interest rate commensurate with the risks involved at the time the pledge is initially recognized. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances and money market accounts and are stated at cost plus accrued interest, which approximates market value. 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 consists of contributions received with donor-imposed restrictions limiting their use to long-term purposes and bank-imposed restrictions on certain contributions for use of paying down long-term debt. Unrestricted and restricted cash are held in separate bank accounts.

Inventory

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

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 quoted market price on the last business day of the fiscal year.

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

Fair Value Measurements

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

The three levels are explained as follows:

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

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is reported at cost at the date of purchase or at 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.

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, 2014 and 2013.

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, 2014 and 2013, volunteers provided approximately 6,300 hours of service to various Center programs.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation as well as creation and distribution of fundraising materials. These costs also include membership development.

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

Advertising Costs

The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to $278,286 and $273,983, respectively, during the years ended June 30, 2014 and 2013.

Income Taxes

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

The Center follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Center has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended June 30, 2011 through June 30, 2014. The Center had no uncertain tax positions at June 30, 2014.

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.

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 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 temporarily restricted contribution and related asset are recognized in the year the unitrust is established based on the fair value of the assets contributed less the present value of the future payments expected to be made to the designated beneficiary. The expected future payments are based on the actuarial life expectancy of the income recipient using the discount rate in existence at the time of notification. Discount amortization and any revaluations of expected future payments to the beneficiaries are recognized as periodic adjustments to the asset. Corresponding changes in the value of the split interest agreement are recognized currently and included in temporarily restricted contributions.

Endowment Funds

Accounting principles generally accepted in the United States of America require that a nonprofit organization classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. The guidance also requires additional disclosures applicable to all nonprofit 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.

ADVENTURE SCIENCE CENTER-NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Center evaluated subsequent events through November 11, 2014, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

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

	2014	2013
Less than one year	$ 119,115	$ 516,503
One to five years	15,100	2,150
	134,215	518,653
Less discount to net present value	-	(18)
	134,215	518,635
Less allowance for uncollectibles	(68,551)	(68,551)
Unconditional promises to give, net	65,664	450,084
Program related receivables	59,695	37,678
Accounts and pledges receivable, net	$ 125,359	$ 487,762

Unconditional promises to give that are included in accounts and pledges receivable at June 30, 2014 include $75,261 restricted for the planetarium capital project and $7,942 restricted for debt reduction. Unconditional promises to give, that are included in accounts and pledges receivable at June 30, 2013, include $175,511, restricted for the planetarium capital project, $300,000, restricted for the Bugs Backyard exhibit project, and $32,142 restricted for debt reduction.

NOTE 4 – INVESTMENTS

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

	2014	2013
Common stocks	$ 1,119,162	$ 938,835
Corporate bonds	373,621	430,551
U.S. government bonds	354,007	309,003
Short-term investments	40,256	81,274
	$ 1,887,046	$ 1,759,663

NOTE 4 – INVESTMENTS (Continued)

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

	2014	2013
Realized gains	$ 56,725	$ 29,313
Unrealized gains	138,058	90,994
Net realized and unrealized gains	194,783	120,307
Investment fees	(20,130)	(22,258)
	$ 174,653	$ 98,049

NOTE 5 – BENEFICIAL INTEREST IN TRUST

The Center has been named as a beneficiary of a charitable remainder unitrust, held and administrated by a third party. The Center receives the balance of the assets remaining in the trust upon termination of the trust. In the event that the amount distributed to the Center exceeds $250,000, the funds are to be used for building improvements, additions to the Center, and/or for permanent exhibits. Based upon earnings at an estimated rate of 5% over the life of the trust, 5% annual distribution to an unrelated specified beneficiary over their lifetime, and a 2.73% discount rate, the estimated present value of future benefits expected to be received by the Center totaled $661,169 and $609,653 as of June 30, 2014 and 2013, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	Estimated Useful Lives	2014	2013
Buildings	5 - 40 years	$ 17,977,685	$ 17,977,685
Equipment and exhibits	3 - 20 years	11,025,543	10,973,885
Construction in progress		101,950	116,632
		29,105,178	29,068,202
Less accumulated depreciation		(14,044,590)	(13,309,602)
		$ 15,060,588	$ 15,758,600

Fully depreciated assets amounted to approximately $8,100,000 and $6,600,000, respectively at June 30, 2014 and 2013.

NOTE 6 – PROPERTY AND EQUIPMENT (Continued)

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 7 – OTHER ASSETS

Other assets consist of the following at June 30:

	2014	2013
STARS show	$ 645,195	$ 645,195
Rusty Rocket show	26,509	26,509
	671,704	671,704
Less accumulated amortization	(390,431)	(321,280)
	$ 281,273	$ 350,424

The Center incurred $645,195 of costs to produce its STARS planetarium show. The Center also incurred $26,509 to produce its Rusty Rocket 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 shows.

NOTE 8 – COLLECTIONS

In conformity with the practice followed by many museums, collection items purchased and donated are not included in the statements of financial position. The value of collection items acquired by gift cannot be reasonably estimated and has not been recognized in the statements of activities. The cost of collection items purchased is reported under exhibits and programs expense. There were no material collection items purchased or donated during the years ended June 30, 2014 and 2013.

NOTE 9 – TRUST FUND

The Sudekum Memorial Trust (the "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 a committee of five directors, including the Center's Board Chair, who also serves as the Trust's Chair; another member of the Center's board of trustees, two Sudekum family members and a lifetime member (general counsel). Distributions, which amounted to approximately $40,000 and $70,000 in 2014 and 2013, 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 10 – NOTE PAYABLE

The Center has a note payable to a financial institution that bears interest at a fixed rate of 3.5%. The Center prepaid the principal for the next fiscal year. Therefore, the note requires quarterly interest payments during fiscal year 2015 and then quarterly principal payments of $37,081 plus interest, until January 23, 2020, the maturity date. The note contains certain financial covenants. The Center was in compliance with these covenants at June 30, 2014.

Total interest expense for the years ended June 30, 2014 and 2013 was $42,684 and $55,727, respectively. In accordance with the note agreement, the principal balance and unpaid interest will be due on January 23, 2020.

Scheduled principal maturities are as follows at June 30, 2014:

For the years ending June 30:	
2015	$ -
2016	148,324
2017	148,324
2018	148,324
2019	148,324
Thereafter	852,870
	$ 1,446,166

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Beneficial interest in charitable remainder unitrust	$ 661,169	$ 609,653
BodyQuest	260,062	290,629
Other	127,239	277,028
Planetarium	14,083	113,364
Bugs Backyard	-	300,000
	$ 1,062,553	$ 1,590,674

NOTE 12 – BOARD DESIGNATED 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. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Center has interpreted the UPMIFA as requiring that the Center classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the board in a manner consistent with the standard of prudence prescribed by 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, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 1,834,766	$ -	$ -	$ 1,834,766

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 1,712,143	$ -	$ -	$ 1,712,143

NOTE 12 – BOARD DESIGNATED ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,712,143	$ -	$ -	$ 1,712,143
Investment return:				
Investment income	46,788	-	-	46,788
Net appreciation	189,390	-	-	189,390
Investment fees	(20,125)	-	-	(20,125)
Total investment return	216,053	-	-	216,053
Contributions	9,570	-	-	9,570
Appropriation	(103,000)	-	-	(103,000)
Endowment net assets, end of year	$ 1,834,766	$ -	$ -	$ 1,834,766

Changes in Endowment Net Assets for the Year Ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,570,603	$ -	$ -	$ 1,570,603
Investment return:				
Investment income	46,777	-	-	46,777
Net appreciation	116,978	-	-	116,978
Investment fees	(22,215)	-	-	(22,215)
Total investment return	141,540	-	-	141,540
Endowment net assets, end of year	$ 1,712,143	$ -	$ -	$ 1,712,143

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

NOTE 12 – BOARD DESIGNATED ENDOWMENT (Continued)

The Center has adopted investment and spending policies for endowment assets that attempt to preserve the capital and maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to provide a real total return, net of investment management fees, which will grow principal and cash flow. Actual returns in any given year may vary. To satisfy its long-term rate-of-return objectives, the Center's investment policy allows for funds to be invested in accordance with five approved models. Within those models, the policy specifies an asset allocation with an approved range of fixed income and equities. Investment in any one security is not permitted to exceed 5% of the market value of the portfolio, with the exception of donated stock.

NOTE 13 – NONOPERATING ITEMS

During 2014, management decided not to move forward with a previously planned exhibit project from 2005. This was due to the Center's recent work in developing a new exhibit master plan and limited commitments to the project attributed to a donor shift from capital projects to social services and basic needs following a historic economic downturn, the flood, and a lagging economic recovery.

As a result of this decision, the Center released a $300,000 pledge commitment toward the previously planned exhibit to enable the donor to redistribute the grant funds to other community projects. The donor is a longtime supporter of the Center and has indicated they would welcome future funding requests when the new campaign begins. Additionally, the Center wrote off $116,632 of exhibit planning costs that had been incurred and recorded as construction in progress in previous years.

NOTE 14 – 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 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, 2014 and 2013 totaled $1,243,714 and $1,323,909, respectively.

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

NOTE 14 – CONCENTRATIONS OF CREDIT RISK (Continued)

Pledges receivable consist of individual, foundation and corporate contribution pledges. At June 30, 2014, pledges receivable from one business and one individual donor amounted to $93,551, or approximately 75% of total accounts and pledges receivable by the Center. At June 30, 2013, pledges receivable from two foundations and one individual donor amounted to $468,551, or approximately 96% 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 15 – 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, 2014 and 2013, the Center provided a discretionary matching contribution of $25,221 and $26,702, respectively.

NOTE 16 – SUPPLEMENTAL CASH FLOW INFORMATION

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

Supplemental Cash Flow Information

	2014	2013
Cash paid during the year for interest	$ 56,219	$ 94,497

Supplemental Schedule of Non-Cash Investing and Financing Activities

	2014	2013
Change in value of beneficial interest in charitable remainder unitrust	$ 51,516	$ 51,197
Derivative redeemed through increase in note payable	$ -	$ 10,541

SUPPLEMENTARY INFORMATION

ADVENTURE SCIENCE CENTER-NASHVILLE
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,301,168	$ 206,791	$ 250,167	$ 1,758,126
Employee taxes and benefits	213,227	29,312	41,014	283,553
Total payroll and related expenses	1,514,395	236,103	291,181	2,041,679
Exhibits and programs	418,105	-	3,465	421,570
Advertising	278,286	-	-	278,286
Utilities	209,006	-	-	209,006
Professional fees and dues	135,881	51,380	6,494	193,755
Building maintenance and facility rental	173,221	2,853	264	176,338
Equipment costs - maintenance	100,424	10,316	30,843	141,583
Gift shop	112,331	-	-	112,331
Insurance	57,113	6,813	5,330	69,256
Credit card fees	37,601	-	14,622	52,223
Printing	15,751	-	31,766	47,517
Interest	42,684	-	-	42,684
Postage and shipping	2,924	827	35,062	38,813
Fundraising events	-	-	21,553	21,553
Supplies	16,242	1,941	1,040	19,223
Telephone and communications	19,180	-	-	19,180
Other expenses	3,010	6,704	4,363	14,077
Conferences and meetings	11,290	123	1,389	12,802
Travel and mileage	11,818	-	560	12,378
Memberships and dues	7,600	-	1,026	8,626
Bank fees	-	6,821	-	6,821
Total functional expenses before depreciation and amortization	3,166,862	323,881	448,958	3,939,701
Depreciation and amortization	841,624	-	-	841,624
Total functional expenses	$ 4,008,486	$ 323,881	$ 448,958	$ 4,781,325

ADVENTURE SCIENCE CENTER-NASHVILLE
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,254,462	$ 209,100	$ 173,853	$ 1,637,415
Employee taxes and benefits	253,454	29,656	27,882	310,992
Total payroll and related expenses	1,507,916	238,756	201,735	1,948,407
Exhibits and programs	346,857	-	-	346,857
Advertising	273,983	-	-	273,983
Utilities	216,956	-	-	216,956
Professional fees and dues	162,382	44,966	1,764	209,112
Building maintenance and facility rental	185,260	-	-	185,260
Gift shop	120,021	-	-	120,021
Insurance	65,324	9,671	5,377	80,372
Equipment costs - maintenance	21,134	15,618	21,214	57,966
Interest	-	55,727	-	55,727
Credit card fees	39,623	-	15,409	55,032
Printing	20,718	-	26,007	46,725
Postage and shipping	1,392	780	27,469	29,641
Fundraising events	95	-	20,860	20,955
Telephone and communications	20,329	-	-	20,329
Supplies	9,481	1,523	170	11,174
Conferences and meetings	10,342	-	185	10,527
Memberships and dues	7,630	-	1,039	8,669
Travel and mileage	6,545	10	959	7,514
Bank fees	-	5,134	-	5,134
Other expenses	1,352	1,733	543	3,628
Total functional expenses before depreciation and amortization	3,017,340	373,918	322,731	3,713,989
Depreciation and amortization	1,396,987	-	-	1,396,987
Total functional expenses	$ 4,414,327	$ 373,918	$ 322,731	$ 5,110,976