ADVENTURE SCIENCE CENTER-NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

ADVENTURE SCIENCE CENTER-NASHVILLE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adventure Science Center-Nashville as of June 30, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 2, Adventure Science Center-Nashville adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities.* The ASU has been applied retrospectively to all years presented in the financial statements. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
November 12, 2019

ADVENTURE SCIENCE CENTER-NASHVILLE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 704,868	$ 608,151
Accounts and pledges receivable, net	228,271	169,774
Prepaid expenses	237,477	527,928
Inventory	48,491	43,622
Investments	2,240,954	2,327,946
Restricted cash and cash equivalents	72,075	122,200
Property and equipment, net of accumulated depreciation	14,748,367	14,071,773
Other assets, net of accumulated amortization	75,935	101,317
Beneficial interest in charitable remainder unitrust, net	751,997	737,037
Total Assets	$ 19,108,435	$ 18,709,748
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 215,972	$ 249,035
Accrued expenses	491,821	422,476
Deferred revenue	698,215	632,659
Note payable	828,228	980,417
Total Liabilities	2,234,236	2,284,587
Net Assets:		
Without Donor Restrictions:		
Undesignated	13,589,754	12,990,522
Board-designated endowment	1,878,390	1,983,925
Total Without Donor Restrictions	15,468,144	14,974,447
With Donor Restrictions	1,406,055	1,450,714
Total Net Assets	16,874,199	16,425,161
Total Liabilities and Net Assets	$ 19,108,435	$ 18,709,748

ADVENTURE SCIENCE CENTER-NASHVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Fees and admissions	$ 3,635,106	$ -	$ 3,635,106
Gifts, appropriations, and private grants	1,542,612	1,884,877	3,427,489
Science Center shop	501,135	-	501,135
Investment return	94,466	18,902	113,368
Other income	35,591	-	35,591
Change in value of beneficial interest in charitable remainder unitrust	-	14,960	14,960
Net assets released from restrictions	1,963,398	(1,963,398)	-
Total Revenue	7,772,308	(44,659)	7,727,649
Expenses:			
Program services	5,726,124	-	5,726,124
Management and general	739,765	-	739,765
Fundraising	812,722	-	812,722
Total Expenses	7,278,611	-	7,278,611
Change in net assets	493,697	(44,659)	449,038
Net assets, beginning of year	14,974,447	1,450,714	16,425,161
Net assets, end of year	$ 15,468,144	$ 1,406,055	$ 16,874,199

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Fees and admissions	$ 3,303,098	$ -	$ 3,303,098
Gifts, appropriations, and private grants	1,828,147	711,095	2,539,242
Science Center shop	809,305	-	809,305
Investment return	99,224	16,271	115,495
Other income	39,861	-	39,861
Change in value of beneficial interest in charitable remainder unitrust	-	40,680	40,680
Net assets released from restrictions	692,093	(692,093)	-
Total Revenue	6,771,728	75,953	6,847,681
Expenses:			
Program services	6,736,725	-	6,736,725
Management and general	589,803	-	589,803
Fundraising	700,441	-	700,441
Total Expenses	8,026,969	-	8,026,969
Change in net assets	(1,255,241)	75,953	(1,179,288)
Net assets, beginning of year	16,229,688	1,374,761	17,604,449
Net assets, end of year	$ 14,974,447	$ 1,450,714	$ 16,425,161

ADVENTURE SCIENCE CENTER-NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,851,689	$ 517,357	$ 523,842	$ 2,892,888
Employee taxes and benefits	292,913	84,120	65,502	442,535
Total payroll and related expenses	2,144,602	601,477	589,344	3,335,423
Exhibits and programs	797,528	1,861	613	800,002
Advertising	309,145	-	-	309,145
Equipment costs - maintenance	258,589	23,005	17,988	299,582
Building maintenance and facility rental	273,512	348	11	273,871
Gift shop - cost of sales	256,261	-	-	256,261
Utilities	223,150	-	-	223,150
Other expenses	111,321	1,302	38,423	151,046
Professional fees and dues	77,046	38,418	9,223	124,687
Credit card fees	74,466	(15)	31,914	106,365
Insurance	29,775	47,053	6,784	83,612
Food, beverage, and other	-	-	48,161	48,161
Printing	10,112	-	23,198	33,310
Interest	31,981	-	-	31,981
Telephone and communications	25,295	-	-	25,295
Travel and mileage	10,326	4,465	7,123	21,914
Postage and shipping	1,473	935	16,626	19,034
Bad Debt Expense	-	-	18,530	18,530
Memberships and dues	1,149	12,866	1,137	15,152
Supplies	11,214	2,424	959	14,597
Conferences and meetings	9,274	1,357	2,688	13,319
Bank fees	-	4,269	-	4,269
Total functional expenses before depreciation and amortization	4,656,219	739,765	812,722	6,208,706
Depreciation and amortization	1,069,905	-	-	1,069,905
Total functional expenses	$ 5,726,124	$ 739,765	$ 812,722	$ 7,278,611

ADVENTURE SCIENCE CENTER-NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,976,076	$ 330,674	$ 410,681	$ 2,717,431
Employee taxes and benefits	339,243	50,564	58,045	447,852
Total payroll and related expenses	2,315,319	381,238	468,726	3,165,283
Exhibits and programs	1,029,444	28,559	6,349	1,064,352
Advertising	477,082	-	-	477,082
Gift shop - cost of sales	381,314	-	-	381,314
Building maintenance and facility rental	274,652	658	510	275,820
Professional fees and dues	154,364	103,119	9,253	266,736
Utilities	207,225	-	-	207,225
Other expenses	148,576	11,779	20,663	181,018
Equipment costs - maintenance	144,443	9,532	20,725	174,700
Credit card fees	75,847	-	34,456	110,303
Insurance	30,619	42,062	6,199	78,880
Food, beverage, and other	-	-	74,497	74,497
Printing	24,458	266	28,694	53,418
Interest	45,712	-	-	45,712
Conferences and meetings	27,978	3,960	2,676	34,614
Telephone and communication	33,050	-	-	33,050
Travel and mileage	23,926	592	5,806	30,324
Postage and shipping	3,609	1,090	17,945	22,644
Supplies	16,382	985	1,198	18,565
Membership and dues	11,199	-	2,744	13,943
Bank fees	-	5,963	-	5,963
Total functional expenses before depreciation and amortization	5,425,199	589,803	700,441	6,715,443
Depreciation and amortization	1,311,526	-	-	1,311,526
Total functional expenses	$ 6,736,725	$ 589,803	$ 700,441	$ 8,026,969

ADVENTURE SCIENCE CENTER-NASHVILLE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 449,038	$ (1,179,288)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for long-term purposes	(1,859,877)	-
Depreciation and amortization	1,069,905	1,311,526
Change in value of beneficial interest in charitable remainder unitrust	(14,960)	(40,680)
Net gain on investments	(45,189)	(65,981)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(50,324)	89,257
Prepaid expenses	290,451	17,213
Inventory	(4,869)	43,057
Accounts payable	(33,063)	106,012
Accrued expenses	69,345	84,710
Deferred revenue	65,556	68,702
Net cash (used in) provided by operating activities	(63,987)	434,528
Cash flows from investing activities:		
Payments on accounts payable for additions to property and equipment	-	(11,996)
Purchase of property and equipment	(1,721,117)	(950,979)
Purchase of investments	(5,040,263)	(701,117)
Proceeds from sale and maturities of investments	5,172,444	655,002
Decrease (increase) in restricted cash and cash equivalents	50,125	(76,658)
Net cash used in investing activities	(1,538,811)	(1,085,748)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	1,851,704	-
Principal payments on notes payable	(152,189)	(148,324)
Net cash provided by (used in) financing activities	1,699,515	(148,324)
Net increase (decrease) in cash and cash equivalents	96,717	(799,544)
Cash and cash equivalents, beginning of year	608,151	1,407,695
Cash and cash equivalents, end of year	$ 704,868	$ 608,151

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 off-site. Over the last several years, the Center has transformed several of its exhibit areas including a new virtual reality studio, a renovated Destination Exploration, and a new wing that houses Space Chase and the state-of-the-art, nationally-known Sudekum Planetarium. During the year ended June 30, 2019, construction occurred on a new sound and music exhibit with 15 interactive stations, called soundBox. 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.
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> *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 and Cash Equivalents and Restricted Cash and Cash Equivalents – The Center considers all cash accounts and highly liquid investments with an original maturity when purchased of three months or less to be cash and cash equivalents. Cash and cash equivalents in investment accounts designated for long-term purposes, or restricted for major construction projects, are excluded from the definition of cash and cash equivalents. Restricted cash and cash equivalents consist of contributions received with donor-imposed restrictions limiting their use to long-term purposes.

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 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. 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.

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

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.

Revenue 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, 2019 and 2018.

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, 2019 and 2018, volunteers provided approximately 7,500 and 10,600 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 costs of activities carried out to fulfill the Center's mission, resulting in services being provided to beneficiaries, customers, and members. Program services are the major purpose for the Center. The Center's program services include exhibit activities, educational and public programs, planetarium operations, advertising, and media costs directly related to programs and exhibits, and the cost of operating the Center's gift shop.
>
> *Management and General* – Relates to the overall direction of the Center. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the Center. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.
>
> *Fundraising* – Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation as well as creation and distribution of fundraising materials. These costs also include membership development.

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

Note 2—Summary of significant accounting policies (continued)

Advertising Costs – The cost of advertising and media expenditures is expensed when incurred. Advertising and media expense amounted to $309,145 and $477,082, respectively, during the years ended June 30, 2019 and 2018.

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, 2019 and 2018.

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

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

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.

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.

Note 2—Summary of significant accounting policies (continued)

Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e., the organization's endowment spending policies), b) a description of the organization's investment policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

Subsequent Events – The Center evaluated subsequent events through November 12, 2019, when these financial statements were available to be issued.

Change in Accounting Principle – In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statement of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all period presented.

Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under accounting standards generally accepted in the United States under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will be effective for the Center on July 1, 2019. The Center is currently evaluating the effect of the implementation of this new standard.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard will be effective for the Center on July 1, 2019. Early adoption is permitted. The Center is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This guidance in this ASU clarifies the accounting guidance for contributions received and contributions made. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchanges (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the Center on July 1, 2019. The Center is currently evaluating the effect of the implementation of this new standard.

Note 3—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 3—Liquidity and availability of resources (continued)

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

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 704,868	$ 608,151
Accounts and pledges receivable, net	228,271	169,774
Investments	2,240,954	2,327,946
Restricted cash and cash equivalents	72,075	122,200
Beneficial interest in charitable remainder unitrust, net	751,997	737,037
Total financial assets	3,998,165	3,965,108
Less amounts not available to be used for general expenditures within one year:		
Assets subject to designations	1,878,390	1,983,925
Assets subject to restrictions	1,406,055	1,450,714
Total amounts not available to be used for general expenditures within one year	3,284,445	3,434,639
Financial assets available to meet cash needs for general expenditures within one year	$ 713,720	$ 530,469

Board-designated endowment of $1,878,390 and $1,983,925 at June 30, 2019 and 2018, respectively, is subject to the Center's spending policy, as described in Note 13. The Center does not intend to spend from the board-designated endowment other than amount 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 4—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:

	2019	2018
Less than one year	$ 141,904	$ 140,156
One to five years	89,800	27,267
Less allowance for doubtful pledges	(18,530)	-
Pledges receivable	213,174	167,423
Program related receivables	15,097	2,351
Accounts and pledges receivable, net	$ 228,271	$ 169,774

At June 30, 2019, 26% of pledges receivable was due from one donor. At June 30, 2018, 38% of pledges receivable was due from four donors. As of June 30, 2019, an allowance of $18,530 was recorded for pledges not considered collectible. No allowance was recorded at June 30, 2018, as management considered all amounts collectible.

Note 5—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:

	2019	2018
Common stocks	$ 834,394	$ 1,271,314
Corporate bonds	663,339	860,806
Mutual funds	453,210	32,986
Short-term investments	265,820	30,007
U.S. government bonds	24,191	132,833
	$ 2,240,954	$ 2,327,946

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

	2019	2018
Realized gains	$ 12,690	$ 11,217
Interest and dividends	68,179	49,514
Unrealized gains	59,304	75,053
Net realized and unrealized gains	140,173	135,784
Investment fees	(26,805)	(20,289)
	$ 113,368	$ 115,495

Note 6—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 $751,997 and $737,037 as of June 30, 2019 and 2018, 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:

	2019	2018
Balance, at beginning of year	$ 737,037	$ 696,357
Change in fair value	14,960	40,680
Balance, at end of year	$ 751,997	$ 737,037

Note 7—Property and equipment

Property and equipment consists of the following at June 30:

	Estimated Useful Lives	2019	2018
Buildings	5 - 40 years	$ 18,785,573	$ 18,773,220
Equipment and exhibits	3 - 30 years	13,840,570	12,327,277
Construction in progress		-	8,302
		32,626,143	31,108,799
Less accumulated depreciation		(17,877,776)	(17,037,026)
		$ 14,748,367	$ 14,071,773

Fully depreciated assets amounted to approximately $9,640,000 and $8,277,000, respectively, at June 30, 2019 and 2018. 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 8—Other assets

Other assets consist of the following at June 30:

	2019	2018
Planetarium shows	$ 786,258	$ 786,258
Less accumulated amortization	(710,323)	(684,941)
	$ 75,935	$ 101,317

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

Note 9—Collections

In conformity with the practice followed by many museums, collection items purchased and donated are not capitalized 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, 2019 and 2018.

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 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 Trust family members, and a lifetime member (general counsel). Distributions, which amounted to $106,435 and $-0- in 2019 and 2018, 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—Note payable

In December 2018, the Center obtained a note payable from a financial institution. The note provides for interest at 3.50% and requires 59 consecutive monthly installments of principal and interest beginning January 2019 with a final payment equal to unpaid principal and interest in December 2023. The note contains certain financial covenants. Management believes the Center was in compliance with these covenants at June 30, 2019. This note was used to pay off a prior note payable, which would have matured January 23, 2020. There is no remaining balance on that note payable. Total interest expense for the years ended June 30, 2019 and 2018 was $31,981 and $45,712, respectively. The note is secured by a negative pledge agreement.

Scheduled principal maturities are as follows at June 30, 2019:

Years Ending June 30,		
2020	$	173,210
2021		179,371
2022		185,751
2023		192,357
2024		97,539
	$	828,228

Note 12—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 including the following at June 30:

		2019		2018
Beneficial interest in charitable remainder unitrust	$	751,997	$	737,037
Endowment for staff development		309,893		284,603
Pledges		213,174		167,423
Scholarships		52,671		59,418
BodyQuest		45,827		80,033
Other		32,493		79,200
Benson Lab renovations		-		43,000
	$	1,406,055	$	1,450,714

Note 13—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 that is not classified in net assets with donor restriction 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 309,893	$ 309,893
Board designated	1,878,390	-	1,878,390
Total endowment funds	$ 1,878,390	$ 309,893	$ 2,188,283

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted	$ -	$ 284,603	$ 284,603
Board designated	1,983,925	-	1,983,925
Total endowment funds	$ 1,983,925	$ 284,603	$ 2,268,528

Note 13—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,983,925	$ 284,603	$ 2,268,528
Investment return, net	94,465	15,335	109,800
Contributions	-	25,000	25,000
Appropriations for expenditure	(200,000)	(15,045)	(215,045)
Endowment net assets, end of year	$ 1,878,390	$ 309,893	$ 2,188,283

Changes in endowment net assets for the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,888,155	$ 270,822	$ 2,158,977
Investment return, net	95,770	13,726	109,496
Transfer	-	55	55
Endowment net assets, end of year	$ 1,983,925	$ 284,603	$ 2,268,528

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, 2019 or 2018.

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 14—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, 2019 and 2018 totaled $504,083 and $454,740, 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.

During the year ended June 30, 2019, the Center received approximately 29% of contribution revenue from one donor. No donor contributed more than 10% of contribution revenue during the year ended June 30, 2019.

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, 2019 and 2018, the Center provided a discretionary matching contribution of $27,975 and $24,167, respectively.

Note 16—Commitments

The Center leases certain office equipment under noncancellable agreements expiring at various times through March 2024. Rent expense for all operating leases for 2019 and 2018 totaled $16,880 and $19,510, respectively. During the year ended June 30, 2015, the Center entered into a noncancellable agreement for lighting maintenance services expiring March 2020. Maintenance expense related to this agreement for 2019 and 2018 totaled $34,965 and $35,357, respectively.

Future minimum commitments under the agreements are as follows as of June 30, 2019:

x

Note 17—Supplemental cash flow information

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

	2019	2018
Supplemental cash flow information:		
Cash paid during the year for interest	$ 38,801	$ 38,087
Supplemental noncash investing and financing activities:		
Change in value of beneficial interest in charitable remainder unitrust	$ 14,960	$ 40,680
Refinancing of note payable	$ 912,422	$ -