

Financial Statements
and
Additional Information

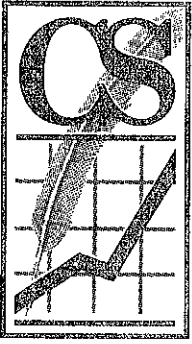
MID-AMERICA SCIENCE MUSEUM

Hot Springs, Arkansas

December 31, 2019

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Board of Directors
Mid-America Science Museum
Hot Springs, Arkansas

Independent Auditor's Report

We have audited the accompanying financial statements of Mid-America Science Museum, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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

Board of Directors
Mid-America Science Museum
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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 Mid-America Science Museum as of December 31, 2019 and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Crass & Smith, P.A.
Certified Public Accountants

Hot Springs, Arkansas
September 20, 2020

MID-AMERICA SCIENCE MUSEUM
Statement of Financial Position
December 31, 2019

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Assets	<u>2019</u>
Cash and cash equivalents	\$ 512,965
Cash and cash equivalents - restricted	48,204
Investments - restricted	2,382,396
Accounts receivable	7,722
Inventories	24,381
Prepaid expenses	80,000
Pledges receivable, net	10,000
Property and equipment - net	5,875,261
Deposits	<u>200</u>
Total assets	\$ <u>8,941,129</u>
Liabilities	
Accounts payable	\$ 15,965
Accrued expenses	<u>45,937</u>
Total liabilities	<u>61,902</u>
Net assets	
Without donor restrictions	6,475,218
With donor restrictions	<u>2,404,009</u>
Total net assets	<u>8,879,227</u>
Total liabilities and net assets	\$ <u>8,941,129</u>

See accompanying notes to financial statements.

MID-AMERICA SCIENCE MUSEUM
Statement of Activities
For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions and grants	\$ 251,087	\$ 311,677	\$ 562,764
Admissions	756,449		756,449
Museum store/cafe revenue	269,140		269,140
Memberships	94,526		94,526
Special events	138,924		138,924
Interest/dividend income	68,127		68,127
Other income	7,735		7,735
Realized/unrealized gains /losses	326,690		326,690
Net assets released from restrictions	<u>22,998</u>	<u>(22,998)</u>	<u>-</u>
Total support and revenue	<u>1,935,676</u>	<u>288,679</u>	<u>2,224,355</u>
Expenses			
Program services			
Museum operations	1,700,315	-	1,700,315
Supporting services			
Management and general	309,261	-	309,261
Fund raising	<u>103,217</u>	<u>-</u>	<u>103,217</u>
Total expenses	<u>2,112,793</u>	<u>-</u>	<u>2,112,793</u>
Change in net assets	(177,117)	288,679	111,562
Net assets at beginning of year	<u>6,652,335</u>	<u>2,115,330</u>	<u>8,767,665</u>
Net assets at end of year	<u>\$ 6,475,218</u>	<u>\$ 2,404,009</u>	<u>\$ 8,879,227</u>

See accompanying notes to financial statements.

MID-AMERICA SCIENCE MUSEUM

Statement of Functional Expenses
For the year ended December 31, 2019

	Program Services	Supporting Services		
	Museum Operations	Management and General	Fund Raising	Total
Accounting	\$ -	\$ 32,610	\$ -	\$ 32,610
Advertising	65,854	-	-	65,854
Bad debt	-	476	-	476
Bank card charges	-	28,197	-	28,197
Board supplies	-	2,138	-	2,138
Computer services	10,553	2,009	1,128	13,690
Consulting	-	6,000	-	6,000
Contributions	-	1,500	-	1,500
Cost of sales	116,657	-	-	116,657
Depreciation	521,385	57,932	-	579,317
Development	-	-	4,285	4,285
Dues and memberships	7,397	1,408	791	9,596
Education programs	12,699	-	-	12,699
Employee expenses	-	16,396	-	16,396
Exhibits	15,035	-	-	15,035
Insurance - general	29,403	6,343	3,143	38,889
Insurance - group health	51,907	9,880	5,549	67,336
Investment fees	-	15,155	-	15,155
Janitorial	7,322	1,394	783	9,499
Miscellaneous	481	1,968	-	2,449
Office supplies	7,248	1,380	775	9,403
Program Supplies	27,940	-	-	27,940
Repairs and maintenance	61,761	-	-	61,761
Salaries	596,023	113,453	63,722	773,198
Special events	-	-	16,851	16,851
Taxes - payroll	45,854	8,728	4,902	59,484
Telephone	12,052	2,294	1,288	15,634
Utilities	108,914	-	-	108,914
Volunteer appreciation	1,830	-	-	1,830
Total	<u>\$ 1,700,315</u>	<u>\$ 309,261</u>	<u>\$ 103,217</u>	<u>\$ 2,112,793</u>

See accompanying notes to financial statements.

MID-AMERICA SCIENCE MUSEUM
Statement of Cash Flows
For the year ended December 31, 2019

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	2019
Cash flows from operating activities	
Change in net assets	\$ 111,562
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	579,317
Gain(loss) on sale of investments	(17,514)
Unrealized gain on investments	(309,176)
Increase (decrease) in cash resulting from a change in:	
Accounts receivable	(1,536)
Inventories	1,848
Prepaid expenses	(80,000)
Pledges receivable	108,340
Accounts payable	10,852
Accrued expenses	(1,476)
Net cash provided by operating activities	402,217
 Cash flows from investing activities	
Proceeds from sale of investments	219,595
Purchase of investments	(299,467)
Purchase of capital assets	(6,700)
Net cash used in investing activities	(86,572)
 Net increase in cash	 315,645
 Cash and restricted cash at beginning of year	 <u>245,524</u>
 Cash and restricted cash at end of year	 <u>\$ 561,169</u>

See accompanying notes to financial statements.

MID-AMERICA SCIENCE MUSEUM

Notes to Financial Statements

December 31, 2019

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1. Organization

Mid-America Science Museum (MASM), is a not-for-profit corporation organized for the purpose of stimulating interest in science, promoting public understanding of the sciences, encouraging life-long science education and to operate the museum as an educational tourism attraction. MASM's support comes primarily from donations by individuals, grants from private foundations and a governmental agency, museum store merchandise sales, admissions and memberships.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

MASM has adopted the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of MASM and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that can be met by actions of MASM or that expire with the passage of time.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the time period has elapsed) are reported as net assets released from restrictions.

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management of MASM has made use of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles. Actual results could differ from these estimates.

Fair Value Measurements

Included in the accompanying financial statements are financial instruments (investments) carried at fair value.

FASB ASC No. 820, *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

MID-AMERICA SCIENCE MUSEUM

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Notes to Financial Statements

December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Cash and Cash Equivalents

For the purposes of reporting cash flows, MASM considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2019, cash and cash equivalents consisted of demand deposits with banks and money market mutual funds.

Investments

Under the provisions of FASB ASC No. 958-320, *Investments - Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position.

Net appreciation (decline) in the fair value of investments, which consist of unrealized appreciation (decline) of those investments, is reported in the statement of activities. Investment income is recorded as earned. Gains and losses on investments are generally reported as increases or decreases in unrestricted net assets unless explicit donor stipulations or law restrict their use.

Accounts Receivable

Accounts receivable are presented at face value and are considered by management to be fully collectible within one year. Accordingly, management has not established an allowance for uncollectible accounts.

2. Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost (average cost method) or market and consist of museum store merchandise.

Property and Equipment

Property and equipment purchased with cash are recorded at actual cost. Donations of property and equipment are recorded as support at their fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and donations of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, MASM reports expirations of donor restrictions when donated assets are placed in service as instructed by the donor. Depreciation expense is computed using the straight-line method over the useful lives of the related assets, which range from five to fifteen years. Depreciation expense for the year ended December 31, 2019 was \$579,317. MASM capitalizes expenditures of \$300 or more with a useful life of more than one year.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated among museum operations, general and administrative, or fund raising based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MASM.

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence or nature of any donor restrictions.

2. Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

MASM's bank checking accounts and certificates of deposit are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000 per depositor, per insured bank, for each account ownership. MASM maintains deposits in a financial institution that at times exceed the insured amount of \$250,000 provided by the FDIC. At December 31, 2019, MASM had deposits at a bank with \$256,165 in excess of the FDIC insurance coverage.

Income Taxes

MASM qualifies as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to income tax except on the receipt of income which is unrelated to MASM's tax exempt purpose. MASM believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

MASM's Federal Exempt Organization Business Income Tax Returns ("Tax Return") for the years ended December 31, 2018, 2017 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Donated Services

MASM receives a substantial amount of services donated by volunteers, who assist in the operation of the museum. These services, however, do not meet the criteria for recognition as contributed services in the financial statements.

3. Cash and Cash Equivalents/Investments - Restricted

MASM entered into a construction grant agreement with the Donald W. Reynolds Foundation in the year ended April 30, 2011. In accordance with the grant agreement, MASM was required to establish restricted funds for maintenance and programs. At December 31, 2019, \$48,204 of these funds were deposited in money market accounts and \$2,382,396 were invested in mutual funds and equities.

MID-AMERICA SCIENCE MUSEUM

Notes to Financial Statements

December 31, 2019

4. Pledges Receivable

Pledges receivable that are expected to be collected in more than one year have been recorded as revenue upon the receipt of the unconditional promise to give. Pledges receivable are considered to be fully collectible by management and, accordingly, no allowance for uncollectible pledges has been recorded. Pledges are expected to be collected as follows:

	<u>2019</u>
Within one year	\$ <u>10,000</u>

5. Property and Equipment

A summary of property and equipment at December 31, 2019 is as follows:

	<u>2019</u>
Leasehold improvements	\$ 7,604,823
Office equipment	81,855
Equipment	336,683
Exhibits	760,182
Vehicles	<u>33,592</u>
	8,817,135
Less accumulated depreciation	<u>2,941,874</u>
Net property and equipment	<u>\$ 5,875,261</u>

6. Net Assets with Donor Restrictions

At December 31, 2019, net assets with donor restrictions of \$2,404,009 were available available for specific purposes and capital expenditures. In 2019, net assets with donor restrictions of \$22,998 were used for specific purposes and released from restrictions.

7. Fair Value Measurements

Investments are measured at fair value in the statement of financial position based on quoted market prices. All investments are Level 1 assets.

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	<u>2019</u>
Cash and money market mutual funds	\$ 561,169
Common stock	559,096
Bond mutual funds	698,756
Equity mutual funds	<u>1,124,544</u>
	<u>\$ 2,943,565</u>

As discussed in Note 2, the Organization is required to report its fair value measurement in one of three levels, which are based on the ability to observe marketplace inputs to the valuation techniques. The Organization uses the following ways to determine the fair value of its investments:

- (i) Common stock: Determined by the closing bid price on the last business day of the fiscal year.
- (ii) Mutual Funds: Determined by the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

There were no changes in valuation techniques during the year.

Investment return is summarized as follows:

	<u>2019</u>
Interest/Dividend Income	\$ 68,127
Net realized and unrealized gains(losses)	<u>326,690</u>
Total unrestricted investment loss	<u>\$ 394,817</u>

MID-AMERICA SCIENCE MUSEUM
Notes to Financial Statements
December 31, 2019

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8. Advertising Costs

Advertising costs are charged as expenses as they are incurred. Advertising expenses totaled \$65,854 for the year ended December 31, 2019.

9. Lease, Operating, and Maintenance Agreement

Effective July 1, 2013, MASM entered into a lease, operating and maintenance agreement with Hot Springs Advertising and Promotion Commission, a component unit of the City of Hot Springs, Arkansas. Under the terms of the agreement, the Commission transferred the responsibility for museum operations to MASM.

The net book value at December 31, 2019 of the Museum property and equipment owned by the Commission and operated by MASM was \$3,038,035.

10. Museum Store and Cafe

As part of its operations, MASM operates a retail store and a cafe. The activity for the year ended December 31, 2019 is as follows:

	<u>2019</u>
Sales, net of returns and allowances	\$ 269,140
Cost of sales	<u>116,657</u>
Gross profit	<u>\$ 152,483</u>

11. Liquidity

At December 31, 2019, MASM had \$512,965 of cash and equivalents available to meet the needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the museum in the next 12 months.

MASM manages its liquidity by developing and adopting operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of MASM are expected to be met on a monthly basis from admissions, support and other revenue.

12. Employee Benefit Plan

In 2019, MASM adopted a "5304-Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)" for the benefit of eligible employees. Employees who are reasonably expected to receive at least \$5,000 in compensation for the current year and in the prior year are eligible to participate. Eligible employees may contribute up to the lesser of 100% of compensation or \$13,000 for 2019. Employees over the age of 50 are eligible to also make a \$3,000 "catch-up" contribution during 2019. For 2019, MASM has elected to make a matching contribution equal to the employee's contribution up to 3% of the employee's compensation for the year. MASM made a matching contribution of \$6,572 in 2019.

13. Exhibit Hall

In 2018, the City of Hot Springs issued special obligation bonds in the amount of \$1,575,000 to fund the construction of an exhibit hall on the Mid-America Science Museum property. The exhibit hall was completed in April 2020 and is currently being used by the museum to house traveling exhibits.

14. Functional Expenses

MASM operates a science museum. The cost of providing program services and supporting activities has been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. There are no functional activities that require allocation between activities.

15. Adoption of Accounting Pronouncement

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 is intended to reduce diversity in practice in the classification and presentation of changes in restricted cash on the Statements of Cash Flows. The ASU requires that the Statement of Cash Flows explain the change in total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The ASU also requires a reconciliation between the total cash, cash equivalents and restricted cash presented on the Statement of Financial Position. MASM adopted ASU 2016-18 effective January 1, 2019 and the guidance has been retrospectively applied to all periods presented. The adoption of the guidance did not have an impact on the Statement of Financial Position or the Statement of Activities.

16. Cash and Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sums to the total in the statement of cash flows as of December 31:

	<u>2019</u>
Cash and cash equivalents	\$ 512,965
Cash and cash equivalents - restricted	<u>48,204</u>
Total cash and restricted cash	<u>\$ 561,169</u>

17. Subsequent Events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to control the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. MASM's operations are heavily dependent on tourism. The travel bans and other measures implemented by the state of Arkansas shut down the tourism industry in Hot Springs and Arkansas. In March 2020, MASM closed its facilities. MASM reopened in May 2020, but attendance is down due to the COVID-19 pandemic. In response, the MASM has reduced hours and has implemented other measures to reduce costs.

MASM has determined that these events are non-adjusting subsequent events. The financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and the results of MASM for future periods.

MASM has evaluated all subsequent events through September 20, 2020, the date the financial statements were available to be issued.