McWane Science Center and Affiliates

Combined Audited Financial Statements
and Supplementary Information

For the Year Ended
December 31, 2016

McWane Science Center and Affiliates

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For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
McWane Science Center and Affiliates
Birmingham, Alabama

We have audited the accompanying combined financial statements of McWane Science Center and Affiliates (a nonprofit organization), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities 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 combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of McWane Science Center and Affiliates as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of functional expenses on page 5 and the combining statement of financial position on page 16 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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.

Report on Summarized Comparative Information

We have previously audited the McWane Science Center and Affiliates' 2015 combined financial statements, and we expressed an unmodified audit opinion on those combined audited financial statements in our report dated May 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the combined audited financial statements from which it has been derived.

Borland Benefield P.C.

Borland Benefield, PC
Birmingham, Alabama
July 25, 2017

McWane Science Center and Affiliates

Combined Statement of Financial Position
At December 31, 2016
With Summarized Financial Information
At December 31, 2015

	As of December 31 2016	2015
Assets		
Cash and cash equivalents	$ 2,246,211	$ 2,586,572
Investments-other	102,425	102,165
Contributions receivable, net	207,132	462,228
Accounts receivable	212,671	271,103
Inventories	71,579	54,224
Prepaid expenses	183,674	109,721
Note receivable	7,527,254	7,527,254
Property and equipment, net	867,507	817,413
Other assets	4,750	4,750
Endowment assets:		
Cash and cash equivalents	111,401	356,330
Contributions receivable, net	398,769	469,780
Investments	4,207,484	3,793,385
Foundation assets:		
Cash and cash equivalents	162,910	176,581
Property and equipment, net	17,380,919	18,740,814
Total Assets	$ 33,684,686	$ 35,472,320
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 539,950	$ 479,502
Deferred revenue	375,554	534,487
Accrued salaries and wages	181,160	159,958
Lines of credit	-	520,000
Foundation liabilities:		
Notes payable, net of loan cost	9,521,889	9,497,222
Total Liabilities	10,618,553	11,191,169
Net Assets		
Unrestricted	13,057,426	14,505,160
Temporarily restricted	7,008,707	6,775,991
Permanently restricted	3,000,000	3,000,000
Total Net Assets	23,066,133	24,281,151
Total Liabilities and Net Assets	$ 33,684,686	$ 35,472,320

See accompanying notes to combined financial statements.

McWane Science Center and Affiliates

Combined Statement of Activities
For the Year Ended December 31, 2016
With Summarized Financial Information
For the Year Ended December 31, 2015

	2016				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**2015**
Revenue					
Direct public support	$ 1,405,810	$ 742,679	$ -	$ 2,148,489	$ 2,044,246
Governmental and restricted support	-	432,445	-	432,445	492,864
Admissions	2,699,019	-	-	2,699,019	2,736,519
Membership dues	1,076,477	-	-	1,076,477	919,755
Store sales	522,336	-	-	522,336	485,319
Food and beverage sales	1,055,585	-	-	1,055,585	1,060,151
Interest and dividends	90,714	-	-	90,714	158,253
Investment gains (losses)	181,529	-	-	181,529	(207,154)
Interest on note receivable	75,788	-	-	75,788	75,666
Net insurance proceeds	47,969	-	-	47,969	-
Other earned income, net	557,005	-	-	557,005	486,991
Net assets released from restrictions					
Restrictions satisfied by payments	942,408	(942,408)	-	-	-
Total Revenue	8,654,640	232,716	-	8,887,356	8,252,610
Program Services					
IMAX	1,054,839	-	-	1,054,839	1,130,852
Exhibits	3,309,341	-	-	3,309,341	3,271,496
Education and visitor services	2,689,255	-	-	2,689,255	2,658,055
Café and Store	1,970,292	-	-	1,970,292	1,802,492
Total Program Services	9,023,727	-	-	9,023,727	8,862,895
Supporting Services					
Administrative	839,942	-	-	839,942	771,712
Development	238,705	-	-	238,705	273,132
Total Supporting Services	1,078,647	-	-	1,078,647	1,044,844
Total Expenses	10,102,374	-	-	10,102,374	9,907,739
Change in Net Assets	(1,447,734)	232,716	-	(1,215,018)	(1,655,129)
Net Assets, Beginning of Year	14,505,160	6,775,991	3,000,000	24,281,151	25,936,280
Net Assets, End of Year	$ 13,057,426	$ 7,008,707	$ 3,000,000	$ 23,066,133	$ 24,281,151

See accompanying notes to combined financial statements.

McWane Science Center and Affiliates

Combined Statement of Functional Expenses
For the Year Ended December 31, 2016
With Summarized Financial Information
For the Year Ended December 31, 2015

	Program Services					Supporting Services				
	IMAX	**Exhibits**	**Education**	**Café and Store**	**Program Services Total**	**Administration/ Development**	**Building Services**	**Supporting Services Total**	**Total**	**2015**
Functional Expenses										
Personnel	$ 177,036	$ 903,455	$ 865,583	$ 435,987	$ 2,382,061	$ 1,121,038	$ 444,144	$ 1,565,182	$ 3,947,243	$ 3,809,248
Operations/maintenance/security	11,401	26,073	26,104	48	63,626	9,117	795,696	804,813	868,439	950,362
Cost of sales	-	-	-	567,912	567,912	-	-	-	567,912	523,644
Supplies and materials	88,228	73,075	168,815	78,924	409,042	19,389	63,354	82,743	491,785	467,447
Licenses/royalties	259,624	11,910	19,903	50,035	341,472	16,414	344	16,758	358,230	366,651
Contracted services	54,084	77,305	10,151	24,091	165,631	144,804	106,344	251,148	416,779	366,586
Advertising	773	-	-	-	773	263,282	-	263,282	264,055	345,949
Rental/lease fees	126,875	134,653	2,198	3,802	267,528	10	867	877	268,405	311,256
Bank fees	120	6,052	-	2,308	8,480	158,406	-	158,406	166,886	142,490
Insurance	-	-	-	-	-	110,362	-	110,362	110,362	136,380
Communications	-	5,098	-	-	5,098	91,633	-	91,633	96,731	80,859
Events/public relations	-	9,477	11,895	1,611	22,983	49,262	-	49,262	72,245	76,717
Professional services	-	1,800	4,050	3,641	9,491	109,223	-	109,223	118,714	75,473
Travel/training/development	11,500	11,038	10,217	6,396	39,151	31,739	1,238	32,977	72,128	72,799
Printing/photography	-	-	-	-	-	65,981	-	65,981	65,981	64,964
Postage/shipping	2,898	41,230	910	6	45,044	39,086	1	39,087	84,131	58,448
Furniture/equipment/tools	695	26,193	6,317	3,300	36,505	19,964	6,746	26,710	63,215	33,681
Bad debt	-	-	-	-	-	16,271	-	16,271	16,271	11,003
Miscellaneous	51	(30)	(9,062)	340	(8,701)	127,982	-	127,982	119,281	7,012
Exhibit design and development	-	4,925	-	-	4,925	-	-	-	4,925	6,515
Acquisitions and conservation	-	6,829	-	-	6,829	-	-	-	6,829	5,647
Subtotal	733,285	1,339,083	1,117,081	1,178,401	4,367,850	2,393,963	1,418,734	3,812,697	8,180,547	7,913,131
Depreciation	-	329,296	-	-	329,296	-	1,448,151	1,448,151	1,777,447	1,851,079
Interest	-	-	-	-	-	-	144,380	144,380	144,380	143,529
Administrative and building services allocation	321,554	1,640,962	1,572,174	791,891	4,326,581	(1,315,316)	(3,011,265)	(4,326,581)	-	-
Total Functional Expenses	$ 1,054,839	$ 3,309,341	$ 2,689,255	$ 1,970,292	$ 9,023,727	$ 1,078,647	$ -	$ 1,078,647	$ 10,102,374	$ 9,907,739
Percentage to Total Programs and Supporting Services Expenses	10.44%	32.76%	26.62%	19.51%	89.32%	10.68%	0.00%	10.68%	100.00%	

See accompanying notes to combined financial statements.

McWane Science Center and Affiliates

Combined Statement of Cash Flows
For the Year Ended December 31, 2016
With Summarized Financial Information
For the Year Ended December 31, 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (1,215,018)	$ (1,655,129)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,777,447	1,851,079
Amortization	24,667	24,667
(Gain)/loss on investments	(181,529)	207,154
Bad debt expense	16,271	11,003
Loss on disposition of property and equipment	4,822	-
Change in operating assets and liabilities:		
Contributions receivable	326,107	520,557
Accounts receivables	42,161	42,697
Inventory	(17,355)	27,861
Prepaid expenses	(73,953)	22,629
Other assets	-	(4,750)
Accounts payable and accrued expenses	60,448	(831,304)
Accrued salaries and wages	21,202	5,150
Deferred revenue	(158,933)	271,066
Net Cash Provided by Operating Activities	626,337	492,680
Cash Flows from Investing Activities		
Proceeds from the sale of investments	11,734,447	1,073,968
Purchase of investments	(11,967,277)	(1,036,987)
Purchases of property and equipment	(472,468)	(1,819,217)
Net Cash (Used) by Investing Activities	(705,298)	(1,782,236)
Cash Flows from Financing Activities		
Net borrowings from line-of-credit	(520,000)	470,000
Payments on capital lease	-	(9,170)
Net Cash Provided/(Used) by Financing Activities	(520,000)	460,830
Net Change in Cash and Cash Equivalents	(598,961)	(828,726)
Cash and Cash Equivalents, Beginning of Year	3,119,483	3,948,209
Cash and Cash Equivalents, End of Year	$ 2,520,522	$ 3,119,483
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 119,713	$ 118,862
Cash and cash equivalents		
McWane Science Center	$ 2,246,211	$ 2,586,572
Endowment for the McWane Science Center	111,401	356,330
McWane Science Center Foundation	162,910	176,581
Total	$ 2,520,522	$ 3,119,483

See accompanying notes to combined financial statements.

Note 1 – Organization and Purpose

McWane Science Center (the Center) is a nonprofit organization whose purpose is to maintain a public museum promoting the public understanding of science, the arts and humanities, and to supplement and support the teaching resource offered in the greater Birmingham, Alabama area and in the State of Alabama at large. The Center operates a museum in downtown Birmingham, which houses a hands-on interactive science museum, a large-format dome theater, administrative offices, and support facilities.

Note 2 – Summary of Significant Accounting Policies

Combined Financial Statements – The financial statements include the accounts of the Center, the Endowment for the McWane Science Center (the Endowment), and the McWane Science Center Foundation (the Foundation). The organizations share common goals and are under common control.

Financial Statement Presentation – The Center is required to report information regarding its financial position and activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Temporary cash balances maintained in the Endowment investment account are considered part of cash and equivalents and are not included in the investment balances. At December 31, 2016, the portion of the Center's cash balance totaling $815,379 was temporarily restricted by donors and contractual arrangements.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. At December 31, 2016, $3,000,000 of the investments maintained in the Endowment was permanently restricted by donors (see Note 10).

Investments-other – Certificates of deposit held for investment that are not debt securities are included in "investments-other." The Center's certificate of deposit has an original maturity of greater than three months and remaining maturity of less than one year.

Accounts and Contributions Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Allowance for Uncollectible Receivable – Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At year end, management believes all receivables to be collectible.

Inventories – Inventories primarily consist of educational, gift, and other novelty items. These items are valued at the lower of cost (first-in, first-out method) or market.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment – The Center capitalizes all expenditures for property and equipment in excess of $1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at approximate fair value at the date of donation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets ranging from three to thirty years.

Deferred Revenue – Income from admissions, sponsorships and special events is deferred and recognized over the periods to which the dues and fees relate.

Restricted and Unrestricted Revenue – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services – There were no donated services of value included as contributions in the financial statements and the corresponding expenses for the year ended December 31, 2016.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Center, Endowment and Foundation are nonprofit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements.

Advertising Cost – The Center uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed the first time the advertising takes place. During 2016, advertising expense was $264,055.

Accounting Estimates – The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements – Fair value for financial reporting purposes is the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date (reporting date). Fair value is based on an exit price in the principal market or most advantageous market in which the reporting entity could transact. For each asset or liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. The Center measures its assets and liabilities on a stand-alone basis, then aggregates assets and liabilities with similar characteristics for disclosure purposes.

Note 2 – Summary of Significant Accounting Policies (continued)

The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Center. Unobservable inputs are inputs that reflect the Center's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2: Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities, and default rates, and inputs that are derived principally from or corroborated by observable market data.

- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability measured.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2016.

The fair value of investments is based on quoted market prices in an active market for identical assets and liabilities or other observable inputs as of the reporting date. The fair value of mutual funds and exchange-traded products is categorized within Level 1 of the fair value hierarchy.

See Note 12 for more information and disclosures relating to fair value measurements.

<u>Comparative Financial Information</u> – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Note 2 – Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standards – Effective January 1, 2016 the Center adopted ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which amends FASB ASC 835-30 to require that debt issuance costs be presented in the statement of financial position as a reduction of the carrying amount of the debt. The new guidance is effective for organizations for financial statements issued for fiscal years beginning after December 15, 2015. In prior years, the Center's policy was to present these debt issuance costs in Other Assets on the statement of financial position, net of accumulated amortization.

Recent Pronouncements – On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. The provisions of the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

Note 3 – Funding Agreement with the City of Birmingham

The Center is party to a Development and Funding Agreement with the City of Birmingham (the City) whereby the City, subject to approval each year, provides funding to the Center for the operations of McWane Science Center. For the year ended December 31, 2016, the total payments received under the agreement totaled $159,104.

Note 4 - Investments

Summaries of investments by cost and estimated fair value were as follows at December 31, 2016:

	Cost	Fair Value
Endowment for the McWane Science Center		
Mutual funds	$ 1,442,337	$ 1,426,072
Exchange-traded products	2,817,000	2,781,412
	$ 4,259,337	$ 4,207,484

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Note 5 – Contributions Receivable

Contributions receivable at December 31, 2016 consisted of the following:

McWane Science Center

Captial campaign	$ 105,000
Operations	52,377
Undesignated	51,788
Total	$ 209,165
Receivable in less than one year	$ 171,785
Receivable in one to five years	37,380
Total Contribuions Receivable	209,165
Less: discounts to net present value at 5%	(2,033)
McWane Science Center Contributions Receivable, net	$ 207,132

Endowment for the McWane Science Center

Receivable in less than one year	$ 90,000
Receivable in one to five years	347,400
Total Contribuions Receivable	437,400
Less: discounts to net present value at 5%	(38,631)
Endowement Fund Contributions Receivable, net	$ 398,769

Note 6 – Property and Equipment

Property and equipment at December 31, 2016 consisted of the following:

Building and improvements	$ 35,793,093
Furniture and fixtures	1,951,460
Exhibits	11,400,884
Computer equipment	834,679
Transportation equipment	75,640
Total	50,055,756
Less: accumulated depreciation	(31,807,330)
Property and Equipment, net	$ 18,248,426

The depreciation expense for the year ended December 31, 2016 was $1,777,447.

The Center owns a collection of fossils, minerals and artifacts, which were purchased for a nominal amount from the City in 1992. No amounts have been reflected in the accompanying financial statements related to this collection, as there is no clearly measurable and objective basis for determining its value.

Note 7 – Line of Credit

The Center has a line of credit for operating purposes with a borrowing maximum of $600,000 and bears variable interest at the financial institution's prime rate, which was 3.25% at December 31, 2016. The line of credit is secured by cash held in a deposit account at the financial institution with a maturity date of August 13, 2017. The Center had no outstanding borrowings on the line of credit at December 31, 2016.

Note 8 – New Market Tax Credit

On February 24, 2014, the Center entered into a New Market Tax Credit agreement with Cahaba Community Development, LLC. As part of this agreement, a new entity was formed, the McWane Science Center Foundation (the Foundation). On February 24, 2014, the Foundation, the borrower, entered into a qualified low-income community investment loan agreement with Cahaba-AL CDC II, LLC, the lender and subsidiary of Cahaba Community Development, LLC, in the aggregate loan amount of $9,600,000 for the purchase and renovation of the McWane Science Center building (the building). The loan obligation is secured by (1) a mortgage on the building (2) guaranty by the Center and the Foundation, (3) and the lease of the building by the Foundation to the Center.

The loan was made by the lender from funds invested in the lender that are intended to qualify for New Market Tax Credits under Section 45D of the IRS Code. In making a loan intended to qualify for New Market Tax Credits, the initial and continuing status of the Foundation as a Qualified Active Low-Income Community Business are material considerations to the lender. The availability of New Market Tax Credits has enabled the lender to make the loan on terms that are more advantageous to the Foundation that the Foundation would otherwise have been able to obtain.

The loan was financed through the New Market Tax Credit Program administered by the Community Development Financial Institutions Fund. The aggregate loan of $9,600,000 is evidenced by two promissory notes, Note A and Note B, entered into on February 24, 2014.

- Note A evidencing $7,527,254 of the loan bears interest at a fixed rate of 1.0001%. Beginning on March 1, 2014, and continuing on each March 1, June 1, September 1, and December 1 thereafter, the Foundation promises to make scheduled quarterly interest payments to the lender, Cahaba-AL CDC II, LLC. Commencing on June 1, 2020, the Foundation shall make scheduled quarterly principal and interest payments for the remainder of the term. On April 10, 2043, all accrued but unpaid interest and the remaining outstanding principal balance shall be due and payable.

- Note B evidencing $2,072,746 of the loan bears interest at a fixed rate of 1.6654%. Beginning on March 1, 2014, and continuing on each March 1, June 1, September 1, and December 1 thereafter, the Foundation promises to make scheduled quarterly interest payments to the lender, Cahaba-AL CDC II, LLC. Commencing on June 1, 2020, the Foundation shall make scheduled quarterly principal and interest payments for the remainder of the term. On April 10, 2043, all accrued but unpaid interest and the remaining outstanding principal balance shall be due and payable.

Note 8 – New Market Tax Credit (continued)

The outstanding balances under Note A and Note B as of December 31, 2016 total $9,600,000. The future scheduled maturities of the notes payable are as follows:

Years ending December 31:	
2016	$ -
2017	-
2018	-
2019	-
2020	9,600,000
	$ 9,600,000

In accordance with a disbursing agreement, two deposit accounts were established, the interest reserve account and the disbursing account. The interest reserve account's purpose is to pay the scheduled quarterly interest payments on the notes. The disbursing account's purpose was to pay for approved project costs. During 2015, after all projects were completed and paid, the disbursement account was closed. As of December 31, 2016, the interest reserve account had a balance of $91,432.

To enable the New Market Tax Credit financing, the parties involved are required to utilize a "leveraged structure." As part of this structure, the Center as the leveraged lender, provides a leverage loan in the amount of $7,527,254 to Cahaba-AL CDC Partners II, LLC, the borrower. The promissory note bears interest at a fixed rate of 1.00% with loan payment terms mirroring the Note A and Note B terms described previously. The leverage loan is secured by a pledge of the borrower's interest in Cahaba-AL CDC II, LLC. The Center must agree to explicit terms in order to comply with certain tax structuring requirements. As of December 31, 2016 the Center's note receivable balance was $7,527,254.

Note 9 – Retirement Plan

The Center sponsors a 403(b) plan which covers substantially all employees except employees who work less than 20 hours per week. Employer contributions consist of matching and non-matching contributions. Matching contributions are not to exceed 3% of an employee's compensation until 15 years of employment, and 5% after 15 years of employment. For the year ended December 31, 2016, matching contributions totaled $48,636.

Note 10 – Restrictions on Net Assets

Temporarily restricted assets are available for various purposes as specified by the donor, which principally relate to the continued development of the building and construction of new exhibits for the museum.

Permanently restricted net assets totaling $3,000,000 consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Center's general activities.

Note 11 – Concentrations of Credit Risk

The Center has cash balances in bank deposit accounts in excess of amounts federally insured. The uninsured balances totaled $1,922,333 at December 31, 2016. Management believes the Center is not exposed to any significant credit risk on cash and cash equivalents.

Approximately 66% of the Center's contributions receivable is from one entity.

Note 12 – Fair Value Measurements

The Center records certain assets and liabilities at fair value based upon a fair value hierarchy. See Note 2 for a description of the Center's policies regarding the hierarchy.

The following fair value hierarchy table presents information about the Center's assets measured or disclosed at fair value on a recurring basis as of December 31, 2016:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 1,426,072	$ 1,426,072	$ -	$ -
Exchange-traded products	2,781,412	2,781,412	-	-
Total	$ 4,207,484	$ 4,207,484	$ -	$ -

Note 13 – Endowment Funds

Donor-Designated Endowments (UPMIFA state)

The Center's endowment consists of a fund established for support of the museum. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Center has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent 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 appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the Center's investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The Center has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are

Note 13 – Endowment Funds (continued)

invested in a well-diversified asset mix, which includes various types of mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Center has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value at year end. In establishing this policy, the Center considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Center expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4% annually. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition, by type of fund, as of December 31, 2016:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment Funds	$ 1,717,654	$ 3,000,000	$ 4,717,654

Changes in Endowment net assets as of December 31, 2016 are as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 1,619,495	$ 3,000,000	$ 4,619,495
Contributions	18,990	-	18,990
Investment income	90,714	-	90,714
Net appreciation	181,529	-	181,529
Amounts appropriated for expenditure	(170,375)	-	(170,375)
Investment and other fees	(22,699)	-	(22,699)
Endowment Net Assets, End of Year	$ 1,717,654	$ 3,000,000	$ 4,717,654

Note 14 – Insurance Proceeds

During 2016, the Center sustained significant flood damage to its building and recognized $361,171 from insurance proceeds. Related costs associated with the damages totaled $313,202. Net insurance proceeds of $47,969 are presented on the Statement of Activities for the year ended December 31, 2016.

Note 15 – Subsequent Events

The Center has evaluated subsequent events through July 25, 2017, the date the financial statements were available to be issued.

McWane Science Center and Affiliates

Combining Statement of Financial Position
For the Year Ended December 31, 2016

	McWane Science Center	Endowment for the McWane Science Center	McWane Science Center Foundation	Eliminations	Combined Total
Assets					
Cash and cash equivalents	$ 2,246,211	$ 111,401	$ 162,910	$ -	$ 2,520,522
Investments-other	102,425	-	-	-	102,425
Investments	-	4,207,484	-	-	4,207,484
Contributions receivable, net	207,132	398,769	-	-	605,901
Accounts receivable	212,671	-	-	-	212,671
Other receivables	28,060	-	38,547	(66,607)	-
Inventories	71,579	-	-	-	71,579
Prepaid expenses	183,674	-	-	-	183,674
Other assets	4,750	-	-	-	4,750
Note receivable	7,527,254		-	-	7,527,254
Property and equipment, net	867,507	-	17,380,919	-	18,248,426
Total Assets	$ 11,451,263	$ 4,717,654	$ 17,582,376	$ (66,607)	$ 33,684,686
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 578,497	$ -	$ 28,060	$ (66,607)	$ 539,950
Deferred revenue	375,554	-	-	-	375,554
Accrued salaries and wages	181,160	-	-	-	181,160
Line of credit	-	-	-	-	-
Notes payable	-	-	9,521,889	-	9,521,889
Total Liabilities	1,135,211	-	9,549,949	(66,607)	10,618,553
Net Assets					
Unrestricted	3,470,254	1,717,654	7,869,518	-	13,057,426
Temporarily restricted	6,845,798	-	162,909	-	7,008,707
Permanently restricted	-	3,000,000	-	-	3,000,000
Total Net Assets	10,316,052	4,717,654	8,032,427	-	23,066,133
Total Liabilities and Net Assets	$ 11,451,263	$ 4,717,654	$ 17,582,376	$ (66,607)	$ 33,684,686