

**CADE MUSEUM FOUNDATION, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

As of and for the Year Ended December 31, 2018

And Report of Independent Auditor

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
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Report of Independent Auditor

To the Board of Directors
Cade Museum Foundation, Inc.
Gainesville, Florida

We have audited the accompanying consolidated financial statements of Cade Museum Foundation, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, 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.

Emphasis of Matter*Adoption of New Accounting Pronouncement*

As discussed in Note 1 to the consolidated financial statements, for the year ended December 31, 2018, the Organization adopted Accounting Standards Update (“ASU”) number 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position information and consolidating statement of activities information are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
May 28, 2019

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Current Assets:

Cash	\$ 528,924
Current portion of pledges receivable, net	592,584
Prepaid expenses and other current assets	86,265
Total Current Assets	<u>1,207,773</u>

Property and equipment, net	<u>13,261,240</u>
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Other Assets:

Pledges receivable, less current portion, net	350,749
Investment in Gatorade Trust	3,116,000
Museum collection	605,695
Note receivable	5,222,400
Total Other Assets	<u>9,294,844</u>

Total Assets	<u>\$ 23,763,857</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion of note payable	\$ 15,216
Accounts payable and accrued expenses	196,305
Deferred revenue	45,647
Total Current Liabilities	<u>257,168</u>

Line of credit	388,783
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Note payable, less current portion and unamortized deferred debt issuance costs	<u>9,700,278</u>
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Total Liabilities	<u>10,346,229</u>
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Net Assets:

Without donor restrictions	13,027,628
With donor restrictions	390,000
Total Net Assets	<u>13,417,628</u>

Total Liabilities and Net Assets	<u>\$ 23,763,857</u>
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CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Gatorade Trust royalties	\$ 449,237	\$ -	\$ 449,237
Contribution and grant revenue	685,316	350,000	1,035,316
Membership and admissions	164,632	-	164,632
Gift shop	37,397	-	37,397
Educational programs	66,324	-	66,324
Event revenue	32,109	-	32,109
Facility rental income	74,022	-	74,022
Other income	72,491	-	72,491
Unrealized gain on Gatorade Trust	3,434	-	3,434
Net assets released from restriction			
Expiration of time restrictions	80,000	(80,000)	-
Total Revenues, Gains, and Other Support	<u>1,664,962</u>	<u>270,000</u>	<u>1,934,962</u>
Expenses:			
Museum activities	1,722,994	-	1,722,994
Membership development	87,496	-	87,496
Management and general	385,010	-	385,010
Fundraising	41,008	-	41,008
Total Expenses	<u>2,236,508</u>	<u>-</u>	<u>2,236,508</u>
Change in net assets	(571,546)	270,000	(301,546)
Net assets, beginning of year	<u>13,599,174</u>	<u>120,000</u>	<u>13,719,174</u>
Net assets, end of year	<u>\$ 13,027,628</u>	<u>\$ 390,000</u>	<u>\$ 13,417,628</u>

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Change in net assets	\$ (301,546)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation expense	268,412
Amortization of deferred debt issuance	64,665
Unrealized gain on Gatorade Trust	(3,434)
Forgiveness of debt	(26,963)
Donation of museum assets	(59,200)
Change in the discount and allowance for uncollectible pledges	22,393
Increase (decrease) in cash resulting from change in:	
Prepaid expenses and other current assets	348,806
Pledges receivable	86,214
Accounts payable and accrued expenses	(369,331)
Deferred revenue	45,647
Cash flows from operating activities	<u>75,663</u>

Cash flows from investing activities:

Purchase of property and equipment	<u>(1,022,003)</u>
Cash flows from investing activities	<u>(1,022,003)</u>

Cash flows from financing activities:

Payments of debt issuance costs	(8,209)
Borrowings on line of credit	388,783
Principal payments paid on note payable	<u>(391,742)</u>
Cash flows from financing activities	<u>(11,168)</u>

Net change in cash	(957,508)
Cash, beginning of year	<u>1,486,432</u>
Cash, end of year	<u>\$ 528,924</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u>\$ 117,959</u>
Interest capitalized	<u>\$ 84,732</u>

Noncash investing and financing activities:

Capitalized amortization of deferred debt issuance costs	<u>\$ (36,282)</u>
Forgiveness of debt	<u>\$ 26,963</u>
Donated museum assets	<u>\$ 59,200</u>
Unrealized gain on Gatorade Trust	<u>\$ 3,434</u>

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations – The Cade Museum Foundation, Inc. (“CMF”) is a nonprofit Florida corporation located in Gainesville, Florida. CMF’s mission is to transform communities by inspiring and equipping future inventors, entrepreneurs and visionaries by operation of the Cade Museum of Creativity and Invention (the “Museum”).

CMF established Cade Creativity Labs, Inc. (“CCLI”) on January 12, 2016, solely to support the charitable purposes, mission, goals, and activities of CMF, its sole member. As such, CCLI’s core activities include operating the Museum, providing entrepreneurial training, designing and implementing educational programs, and servicing notes payable for the benefit of CMF. CCLI is governed by a Board of Directors comprised principally of members of the CMF Board of Directors.

Principles of Consolidation – The accompanying consolidated financial statements include those of CMF and CCLI (collectively referred to hereinafter as the “Organization”). All significant inter-entity balances and transactions have been eliminated in consolidation.

New Accounting Pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). The Organization has adjusted the presentation of consolidated financial statements accordingly. The new standard changes the following aspects of the Organization’s consolidated financial statements:

- The consolidated financial statements include a new disclosure about liquidity and availability of resources (see Note 10).
- The consolidated financial statements include new disclosures related to functional allocation of expenses (see Note 11).
- Net assets are now classified as either net assets without donor restrictions or net assets with donor restrictions.
- The consolidated financial statements require expanded disclosures on the components and changes of net assets with donor restrictions.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as without donor restrictions or with donor restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as revenue without donor restrictions, if a donor restriction existed.

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 are reported in the consolidated statement of activities as net assets released from restriction.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Cash – Approximately \$333,000 of the Organization’s cash is restricted. Approximately \$289,000 is a loan reserve established for payment of interest expense in compliance with the note payable agreements related to the New Market Tax Credit (“NMTC”) Program (see Note 6). Approximately \$44,000 is an interest reserve which is restricted relating to a term note originated with a financial institution (see Note 7).

Concentration of Credit Risk – The Organization places its cash on deposit with financial institutions principally in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2018, the Organization had bank balances of approximately \$39,000 in excess of these insured limits.

Revenue – Revenues consists of membership and admissions, gift shop revenue, educational programs, event revenue, and facility rental income. The Organization recognizes revenue as services are provided and as gift shop inventory is sold. Amounts collected in advance consist primarily of annual memberships to the Museum which are deferred and recognized over the membership period.

Pledges Receivable – Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount rate used is the Organization’s weighted average cost of capital applicable to the month in which the pledges are received. Amortization of the discounts is included in contribution revenue on the accompanying consolidated statement of activities. As of December 31, 2018 approximately \$390,000 of the outstanding pledges receivable are not collectible until future periods, and thus are reported as net assets with donor restriction.

Management evaluates each pledge account on an individual basis to determine the accounts for which collection is doubtful. Management has determined that the allowance for doubtful accounts of approximately \$52,000 was adequate as of December 31, 2018; however, actual bad debts could exceed the established allowance.

Deferred Debt Issuance Costs – Deferred debt issuance costs are reflected in the accompanying consolidated statement of financial position as a reduction to the notes payable balance. Deferred debt issuance costs are amortized over the term of the long-term debt as interest expense using a method that approximates the effective interest method. The Organization paid approximately \$8,000 in debt issuance cost related to the line of credit (Note 8), capitalized approximately \$36,000 of amortization of the deferred debt issuance costs to construction in progress, and recorded approximately \$65,000 of amortization of deferred debt issuance cost as interest expense during the year ended December 31, 2018.

Museum Collection – The Organization capitalizes its collections. Additions are capitalized at cost if purchased and at estimated fair value at date of contribution if received by donation. Gains and losses on disposals of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. The Organization received approximately \$59,000 in donated museum assets during the year ended December 31, 2018, which is recorded in contribution revenue without donor restrictions on the accompanying consolidated statement of activities.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Gatorade Trust Split Interest Agreement – The Gatorade Trust owns contractual rights to receive royalties from the sale of the Gatorade drink formula, sport endurance products and the Gatorade trademark. The Gatorade Trust was formed pursuant to a trust agreement, as a grantor trust, on May 16, 1967, and was amended on May 23, 1967. Under the Gatorade Trust Agreement, after deducting and paying the current obligations of the Trust and all necessary expenses incident to the administration of the Trust, the Trustee is required to distribute income to the beneficiaries according to their ownership interests.

In November 2005, the Cade Family Trust transferred .600 of one unit of beneficial interest in the Gatorade Trust to CMF.

The Organization's beneficial interest in the Gatorade Trust is reported at fair value using the capitalization of cash flow method. Royalty income received from the trust is reflected in the consolidated statement of activities and is being used to fund the operations of the Organization. Unrealized gains and losses are reflected in the consolidated statement of activities.

Property and Equipment – Property and equipment purchased with an original cost of \$500 or more are recorded at cost. Donated property and equipment having a fair value of \$500 or more are recorded at their estimated fair value on the date of donation. Property and equipment are depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, which range from 3 to 40 years. Maintenance and repairs are expensed as incurred.

Accrued Paid Time Off (“PTO”) – The Organization accrues for earned, but unused PTO included in accrued expenses on the accompanying consolidated statement of financial position. An employee may carry over up to 80 hours of unpaid time off into the following year.

Donated Services – Donated services are only recorded if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Other volunteer services are not recorded as revenue and expense since they do not create or enhance financial assets or require specialized skills. There were no such in-kind donations during the year ended December 31, 2018.

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Florida Statutes. Management believes that CMF and CCLI continue to satisfy the requirements of tax exempt organizations as of December 31, 2018.

Functional Allocation of Expenses – The consolidated financial statements report certain categories of expenses that are attributable to program and supporting activities (see Note 11). Expenses are allocated between program services and supporting services based upon time and effort incurred with the exception of occupancy costs which is allocated based on square footage utilized for certain functions.

Use of Estimates – The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – The Organization has evaluated subsequent events through May 28, 2019, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Fair value measurements

The Organization records certain assets at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, and the risk of nonperformance. A fair value hierarchy is utilized which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical assets or liabilities.

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2018 from prior years. The only asset measured at fair value is the Investment in Gatorade Trust, which is valued using the income approach as reported by the Organization. The income approach falls under Level 3 of the fair value hierarchy.

The following table presents changes in the Organization's Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2018:

	Investment in Gatorade Trust
Balance, January 1, 2018	\$ 3,112,566
Unrealized gain relating to assets still held at the reporting date	3,434
Balance, December 31, 2018	<u>\$ 3,116,000</u>

Significant inputs used to determine the fair value of the Organization's interest in the Gatorade Trust using the capitalization of cash flow method include a 11.8% average cost of capital rate, a 1.5% sustainable growth rate and a 24% marketability discount rate.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 3—Pledges receivable

The pledges receivable at December 31, 2018 are unconditional pledges due in future years as follows:

One year or less	\$ 592,584
One to five years	416,000
	<u>1,008,584</u>
Less discounts to net present value	(13,133)
Less allowance for uncollectible pledges	(52,118)
	<u>\$ 943,333</u>

The Organization discounted the pledges receivable to net present value using discount rates ranging from 1% to 3%.

Note 4—Related party transactions

In prior periods certain members of the Board of Directors made pledges to the Organization; of which, approximately \$96,000 is outstanding in pledge receivable as of December 31, 2018.

The Organization additionally has amounts due to related parties in the form of notes payable (see Note 7).

Note 5—Property and equipment

Property and equipment consists of the following at December 31, 2018:

Land	\$ 29,125
Building and improvements	12,247,519
Equipment	361,295
Exhibit design	950,402
Exhibit design in progress	51,894
	<u>13,640,235</u>
Less accumulated depreciation	(378,995)
	<u>\$ 13,261,240</u>

Depreciation expense for the year ended December 31, 2018 was approximately \$268,000.

Construction of the Organization's Museum was completed in May 2018, at which time the asset was transferred to building and improvements and began depreciating. Prior to completion of the Museum, the Organization capitalized approximately \$85,000 of interest into construction in progress during the year ended December 31, 2018.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6—New market tax credit transactions

During 2016, the Organization entered into a state and federal New Market Tax Credit (“NMTC”) transaction to assist with construction of the Museum. The NMTC programs were established as part of the Community Renewal Tax Relief Act of 2000. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, which they receive over a seven-year period. A community development entity (“CDE”) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities.

As a part of the new market tax credit transactions the CCLI issued three notes in March 2016 totaling \$9,500,000 to FCNMF 20, LLC (a CDE). The notes are collateralized by the Museum and pledge agreements, and are also guaranteed by CMF. The notes require quarterly interest payments of a fixed rate of 1.36% per annum until December 2023. Thereafter, annual principal and interest payments totaling approximately \$207,000 are due until maturity in December 2050. Deferred debt issuance costs related to the notes totaled approximately \$677,000 (see Note 1). The notes contain certain nonfinancial covenants which require management’s representations that the loans will be utilized for the stated purpose of constructing the Museum and that the Organization will continue to qualify as a “qualified low-income community investment” based on the ongoing activities of the Organization and its continuing mission.

In conjunction with the financing transaction, CMF provided a loan of \$5,222,400 to Chase NMTC FL State Investment Fund, LLC (“Chase”) (combined with the community development financial institution is hereinafter referred to as the “unaffiliated investment structure”). The loan is evidenced by a promissory note from Chase, carrying an interest rate of 1.225% per annum, and quarterly interest only payments until June 2023, at which point Chase will be required to pay quarterly principal and interest payments totaling \$185,478 through maturity of the note on June 1, 2039.

As part of the NMTC transaction, CMF formed CCLI as a supporting organization and made an equity contribution in CCLI of \$1,196,037. The contribution is eliminated in consolidation. After seven years, the financial institutions which own the unaffiliated investment structure may elect to satisfy all obligations by assigning to CMF the pledged collateral (the “assignment put”) for a put price of \$1,000 for each of the federal and state unaffiliated investment structures. If the institutions do not exercise the put right, CMF may call the interest in the investment structures for a call price equal to the fair value of the investments. Exercise of the put or call will provide CMF with ownership of the unaffiliated investment structure.

If there is a breach of the NMTC note agreements resulting in the recapture of all or part of the new market tax credits claimed by financial institutions associated with the unaffiliated investment structure, the Organization has agreed to pay the amount equal to the sum of the credits recaptured.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 7—Notes payable

The Organization’s notes payable balance consists of the following in addition to the NMTC financing discussed in Note 6:

- *Mortgage Note:* In September 2017, the Organization’s mortgage note was refinanced with a principal amount of approximately \$213,000 bearing interest at a fixed rate of 3.75%, with the possibility of new interest rate becoming effective after the first 120 months. The note requires monthly principal and interest payments of \$1,268, and is collateralized by the Organization’s primary office location. Debt issuance costs related to the mortgage note totaled approximately \$7,000. The Organization had approximately \$204,000 of principal outstanding on the mortgage note as of December 31, 2018.
- *Term Notes:* During 2016 the Organization issued two notes to a financial institution totaling \$1,000,000 and \$1,200,000 with maturity dates of March 14, 2021 and March 14, 2022, respectively. Both term notes carry interest at a fixed rate of 4% and require interest only payments through maturity. Both notes are secured by capital campaign pledges except for pledges received under a Cultural Facilities Match Grant from the State of Florida, if applicable. The Organization had no such pledges received or receivable under the Cultural Facilities Match Grant as of or for the year ended December 31, 2018. Debt issuance costs deferred related to the term notes totaled approximately \$15,000. The Organization had approximately \$315,000 of principal outstanding on the term notes as of December 31, 2018.
- *Related Party Note Payable:* The Organization issued a \$500,000 note payable to a Board Member of the Organization on March 14, 2016 with a maturity date of September 1, 2023 and interest payable annually at a fixed rate of 0.65%. During the year ended December 31, 2018 the Board Member forgave approximately \$27,000 of the related party note payable. The Organization had approximately \$125,000 of principal outstanding on the related party note payable as of December 31, 2018.

Future maturities of notes payable, including the \$9,500,000 note discussed in Note 6, are as follows:

<u>Years Ending December 31,</u>	
2019	\$ 15,216
2020	15,216
2021	15,216
2022	264,216
2023	81,201
Thereafter	<u>9,753,189</u>
	10,144,254
Deferred financing costs	<u>(428,760)</u>
	<u>\$ 9,715,494</u>

Interest expense relating to notes payable for the year ended December 31, 2018 was approximately \$258,000. Approximately \$85,000 of the interest expense was capitalized and approximately \$173,000 is included in interest expense.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 8—Line of credit

In January 2018 the Organization entered into a non-revolving line of credit (“NRLOC”) agreement with a bank which provides borrowings up to \$500,000 and matures in January 2025. The NRLOC requires interest only payments through February 2020 at which time the borrowed balance on the note will begin to amortize through maturity. The NRLOC bears an initial variable interest rate of 4.50% which is subject to change every 60 months based on the Wall Street Journal US Prime Rate (5.50% as of December 31, 2018). During the year ended December 31, 2018, the Organization borrowed approximately \$389,000 on the NRLOC and incurred interest expense of approximately \$11,000.

Note 9—Land lease

The Organization executed a land lease with the City of Gainesville for the purpose of constructing and operating the Museum, to promote creativity and invention at Depot Park. The lease began on July 3, 2015 with a lease term of 50 years at a rate of \$1 per year. The lease was amended and restated on March 8, 2016, with a new term of 75 years and no required monetary rent payment; however, the Organization is required to timely construct and continually operate the Museum to provide benefit to the community.

Note 10—Liquidity and availability of resources

Management has budgeted approximately \$1,964,000 of operating expenses to be paid within one year of the statement of financial position date. The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses and may invest cash in excess of requirements in a short-term money market investment. The Organization relies on annual income generated from its Gatorade Trust to meet operating needs. Gatorade Trust royalties for the year ended December 31, 2018 was approximately \$449,000. Additionally as described in Note 8, the Organization has funds available on the NRLOC of approximately \$111,000 which may be drawn upon in the event of an unanticipated liquidity need. In addition the Organization will rely on admissions and other revenues from operations during the year ended December 31, 2018 to pay operating expenses.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2018 consist of the following:

Financial assets as of year-end:

Cash	\$ 528,924
Pledges receivable, net	943,333
Receivables (included in prepaid expenses and other current assets)	30,477
	<u>1,502,734</u>

Less those unavailable for general expenditures within one year,
due to contractual or donor-imposed restrictions:

Restricted by donor with time restrictions	(210,000)
Restricted for loan reserve	(333,325)
	<u>(543,325)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 959,409</u>
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CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 11—Functional allocation of expenses

The cost of providing certain activities of the Organization have been summarized on a functional basis below.

	Program Services		Supporting Services				Total
	Museum Activities	Program Services	Management and General	Fundraising	Membership Development	Supporting Services	
Personnel	\$ 608,218	\$ 608,218	\$ 122,389	\$ 43,037	\$ 23,025	\$ 188,451	\$ 796,669
Professional fees and services	186,602	186,602	160,195	22,231	12,269	194,695	381,297
Travel, meeting, and events	101,437	101,437	8,135	6,597	-	14,732	116,169
Operating supplies and equipment	163,599	163,599	24,597	6,788	2,827	34,212	197,811
Occupancy	176,277	176,277	14,953	3,010	1,502	19,465	195,742
Depreciation	253,752	253,752	10,016	3,871	773	14,660	268,412
Other	65,408	65,408	29,847	686	334	30,867	96,275
Interest expense	167,701	167,701	14,878	1,276	278	16,432	184,133
	<u>\$ 1,722,994</u>	<u>\$ 1,722,994</u>	<u>\$ 385,010</u>	<u>\$ 87,496</u>	<u>\$ 41,008</u>	<u>\$ 513,514</u>	<u>\$ 2,236,508</u>

SUPPLEMENTARY INFORMATION

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION

DECEMBER 31, 2018

	Cade Museum Foundation, Inc.	Cade Creativity Labs, Inc.	Elimination Entries	Consolidated Total
ASSETS				
Current Assets:				
Cash	\$ 230,652	\$ 298,272	\$ -	\$ 528,924
Current portion of pledges receivable, net	592,584	-	-	592,584
Prepaid expenses and other current assets	158,178	77,421	(149,334)	86,265
Total Current Assets	981,414	375,693	(149,334)	1,207,773
Property and equipment, net	633,742	12,627,498	-	13,261,240
Other Assets:				
Pledges receivable, net, less current portion	350,749	-	-	350,749
Investment in Gatorade Trust	3,116,000	-	-	3,116,000
Museum collection	600,095	5,600	-	605,695
Note receivable	5,222,400	-	-	5,222,400
	9,289,244	5,600	-	9,294,844
Total Assets	\$ 10,904,400	\$ 13,008,791	\$ (149,334)	\$ 23,763,857
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of notes payable	\$ 15,216	\$ -	\$ -	\$ 15,216
Accounts payable and accrued expenses	9,421	336,218	(149,334)	196,305
Deferred revenue	-	45,647	-	45,647
Total Current Liabilities	24,637	381,865	(149,334)	257,168
Line of credit	388,783	-	-	388,783
Notes payable, less current portion and unamortized deferred debt issuance costs	607,443	9,092,835	-	9,700,278
Total Liabilities	1,020,863	9,474,700	(149,334)	10,346,229
Net Assets	9,883,537	3,534,091	-	13,417,628
Total Net Assets	9,883,537	3,534,091	-	13,417,628
Total Liabilities and Net Assets	\$ 10,904,400	\$ 13,008,791	\$ (149,334)	\$ 23,763,857

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES INFORMATION

YEAR ENDED DECEMBER 31, 2018

	Cade Museum Foundation, Inc.	Cade Creativity Labs, Inc.	Elimination Entries	Consolidated Total
Support and Revenue:				
Gatorade Trust royalties	\$ 449,237	\$ -	\$ -	\$ 449,237
Contribution and grant revenue	979,817	55,499	-	1,035,316
Membership and admissions	-	164,632	-	164,632
Gift shop	-	37,397	-	37,397
Educational programs	-	66,324	-	66,324
Event revenue	-	32,109	-	32,109
Facility rental income	150	73,872	-	74,022
Other income	66,706	1,508,140	(1,502,355)	72,491
Unrealized gain on Gatorade Trust	3,434	-	-	3,434
Total Support and Revenue	1,499,344	1,937,973	(1,502,355)	1,934,962
Expenses:				
Museum activities	192,288	1,530,706	-	1,722,994
Membership development	49,375	38,121	-	87,496
Management and general	27,988	357,022	-	385,010
Fundraising	(4,546)	45,554	-	41,008
Total Expenses	265,105	1,971,403	-	2,236,508
Contribution from Cade Museum Foundation, Inc. to Cade Creativity Labs, Inc.	1,502,355	-	(1,502,355)	-
Change in net assets	(268,116)	(33,430)	-	(301,546)
Net assets, beginning of year	10,151,653	3,567,521	-	13,719,174
Net assets, end of year	\$ 9,883,537	\$ 3,534,091	\$ -	\$ 13,417,628