

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

As of and for the Year Ended December 31, 2019

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, 2019, 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, 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.

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, in January 2020, the World Health Organization declared COVID-19 to constitute a “public health emergency of international concern.” Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. 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.

Cherry Bekaert LLP

Tampa, Florida
May 12, 2020

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

DECEMBER 31, 2019

ASSETS

Current Assets:

| | |
|--------------------------------------------|----------------|
| Cash | \$ 376,172 |
| Current portion of pledges receivable, net | 247,650 |
| Prepaid expenses and other current assets | 92,440 |
| Total Current Assets | <u>716,262</u> |

| | |
|-----------------------------|-------------------|
| Property and equipment, net | <u>12,865,902</u> |
|-----------------------------|-------------------|

Other Assets:

| | |
|-----------------------------------------------|-----------------------------|
| Pledges receivable, less current portion, net | 195,533 |
| Investment in Gatorade Trust | 3,116,000 |
| Museum collection | 541,695 |
| Note receivable | 5,222,400 |
| Total Other Assets | <u>9,075,628</u> |
| Total Assets | <u><u>\$ 22,657,792</u></u> |

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|---------------------------------------|----------------|
| Current portion of notes payable | \$ 7,598 |
| Accounts payable and accrued expenses | 123,948 |
| Contract liabilities | 47,953 |
| Total Current Liabilities | <u>179,499</u> |

| | |
|----------------|---------|
| Line of credit | 388,783 |
|----------------|---------|

| | |
|-------------------------------------------------------------------------------------|-------------------|
| Notes payable, less current portion and unamortized deferred debt issuance costs | <u>9,472,874</u> |
| Total Liabilities | <u>10,041,156</u> |

Net Assets:

| | |
|-----------------------------------------|-----------------------------|
| Without donor restrictions | 12,408,636 |
| With donor restrictions | 208,000 |
| Total Net Assets | <u>12,616,636</u> |
| Total Liabilities and Net Assets | <u><u>\$ 22,657,792</u></u> |

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------|---------------------------------------|------------------------------------|----------------------|
| Revenue, Gains, and Other Support: | | | |
| Gatorade Trust royalties | \$ 414,502 | \$ - | \$ 414,502 |
| Contribution and grant revenue | 1,031,529 | 70,000 | 1,101,529 |
| Membership and admissions | 196,240 | - | 196,240 |
| Educational programs | 138,950 | - | 138,950 |
| Gift shop | 53,434 | - | 53,434 |
| Facility rental income | 171,062 | - | 171,062 |
| Other income | 70,508 | - | 70,508 |
| Net assets released from restriction: | | | |
| Expiration of time restrictions | 252,000 | (252,000) | - |
| Total Revenues, Gains, and Other Support | <u>2,328,225</u> | <u>(182,000)</u> | <u>2,146,225</u> |
| Expenses: | | | |
| Program Activities: | | | |
| Museum activities | 2,158,794 | - | 2,158,794 |
| Support Activities: | | | |
| Membership development | 37,349 | - | 37,349 |
| Management and general | 718,183 | - | 718,183 |
| Fundraising | 32,891 | - | 32,891 |
| Total Support Activities | <u>788,423</u> | <u>-</u> | <u>788,423</u> |
| Total Expenses | <u>2,947,217</u> | <u>-</u> | <u>2,947,217</u> |
| Change in net assets | (618,992) | (182,000) | (800,992) |
| Net assets, beginning of year | <u>13,027,628</u> | <u>390,000</u> | <u>13,417,628</u> |
| Net assets, end of year | <u>\$ 12,408,636</u> | <u>\$ 208,000</u> | <u>\$ 12,616,636</u> |

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

YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:

| | |
|--------------------------------------------------------------------------------------------|----------------|
| Change in net assets | \$ (800,992) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | |
| Depreciation expense | 460,577 |
| Amortization of deferred debt issuance | 100,998 |
| Forgiveness of debt | (26,222) |
| Impairment of museum assets | 64,000 |
| Change in the discount and allowance for uncollectible pledges | (18,434) |
| Increase (decrease) in cash resulting from change in: | |
| Prepaid expenses and other current assets | (6,175) |
| Pledges receivable | 518,584 |
| Accounts payable and accrued expenses | (72,357) |
| Contract liability | 2,306 |
| Net cash flows from operating activities | <u>222,285</u> |

Cash flows from investing activities:

| | |
|------------------------------------|-----------------|
| Purchase of property and equipment | <u>(65,239)</u> |
|------------------------------------|-----------------|

Cash flows from financing activities:

| | |
|------------------------------------------|------------------|
| Principal payments paid on notes payable | <u>(309,798)</u> |
|------------------------------------------|------------------|

| | |
|-------------------------|--------------------------|
| Net change in cash | (152,752) |
| Cash, beginning of year | <u>528,924</u> |
| Cash, end of year | <u><u>\$ 376,172</u></u> |

Supplemental disclosure of cash flow information:

| | |
|----------------------------------------|--------------------------|
| Cash paid during the year for interest | <u><u>\$ 159,942</u></u> |
|----------------------------------------|--------------------------|

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 and CMF share a similar governance structure and management team.

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.

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 (“U.S. 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.

New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to ASU 2014-09, FASB issued several related ASU’s (collectively, “ASC 606”). The Organization adopted the provisions of ASC 606 as of January 1, 2019 using the modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of January 1, 2019. There was no change in the timing and amount of revenue recognition as a result of the adoption. Certain categories of revenue are not within the scope of ASC 606 including Gatorade Trust (royalties and unrealized gains and losses), contribution and grant revenue, and other income.

Revenue Recognition – See Note 2.

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.

Cash – Approximately \$230,000 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 7). Approximately \$44,000 is an interest reserve which is restricted relating to a term note originated with a financial institution (see Note 8).

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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, 2019, approximately \$208,000 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 \$40,000 was adequate as of December 31, 2019; however, actual bad debts could exceed the established allowance.

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.

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 recorded approximately \$101,000 of amortization of deferred debt issuance cost as interest expense during the year ended December 31, 2019.

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. During the year, certain collections were deemed to be impaired based on appraisals performed to estimate fair value. The Organization recognized impairment losses of approximately \$64,000.

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. There were no unrealized gains or losses during the year ended December 31, 2019.

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.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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 was approximately \$104,000 of in-kind donations during the year ended December 31, 2019 included in contribution and grant revenue in the consolidated statement of activities.

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Florida Statutes. Management believes that CMF and CCLI continue to satisfy the requirements of tax exempt organizations as of December 31, 2019.

Functional Allocation of Expenses – The consolidated financial statements report certain categories of expenses that are attributable to program and supporting activities (see Note 12). 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 U.S. 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 12, 2020, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued (see Note 13).

Note 2—Revenue

On January 1, 2019, the Organization adopted ASC 606 using the modified retrospective approach. The Organization determined that there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of January 1, 2019. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying consolidated statement of financial position totaled approximately \$48,000 as of December 31, 2019, and is primarily amounts paid in advance relating to annual memberships of the Museum which are deferred and recognized over the membership period. The Organization does not have contract assets as of December 31, 2019.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's revenue within the scope of ASC 606 consists of revenue from membership and admissions, gift shop, educational programs, and facility rentals. The contract performance obligation for daily admissions, gift shop, educational programs, and facility rentals is generally satisfied at the time these services are provided or when a good is transferred to the customer. The contract performance obligation for annual memberships of the Museum is performed over the membership period.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 2—Revenue (continued)

Revenue Recognition – Revenue (daily admissions, gift shop, educational programs, and facility rentals) is recognized as services are performed or products are delivered with the exception of annual memberships paid by customers. Memberships paid by customers are recognized over the contractual term of the membership as management believes this approximates the pattern of use.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing and revenue recognition and disclosures. The one practical expedient the Organization applied in the adoption and application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Note 3—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, 2019 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.

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

DECEMBER 31, 2019

Note 3—Fair value measurements (continued)

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, 2019:

| | Investment in Gatorade Trust |
|---------------------------------------------------------------------|---------------------------------------------|
| Balance, January 1, 2019 | \$ 3,116,000 |
| Unrealized gain relating to assets still held at the reporting date | - |
| Balance, December 31, 2019 | <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 13.2% average cost of capital rate, a 2.5% sustainable growth rate and a 24% marketability discount rate.

Note 4—Pledges receivable

The pledges receivable at December 31, 2019 are unconditional pledges due in future years as follows:

| | |
|------------------------------------------|-------------------|
| One year or less | \$ 247,650 |
| One to five years | 242,350 |
| | <u>490,000</u> |
| Less discounts to net present value | (7,267) |
| Less allowance for uncollectible pledges | (39,550) |
| Pledges receivable, net | <u>\$ 443,183</u> |

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

Note 5—Related party transactions

During the year ended December 31, 2019 the Organization received contributions from certain members of the Board of Directors totaling approximately \$154,000. As of December 31, 2019 approximately \$90,000 of outstanding pledges receivable are from prior and current year pledge commitments from board members

The Organization additionally has amounts due to related parties in the form of notes payable (see Note 8).

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 6—Property and equipment

Property and equipment consists of the following at December 31, 2019:

| | |
|-------------------------------|-----------------------------|
| Land | \$ 29,125 |
| Building and improvements | 12,259,413 |
| Equipment | 370,839 |
| Exhibit design | 1,030,063 |
| Exhibit design in progress | 15,839 |
| | <u>13,705,279</u> |
| Less accumulated depreciation | (839,377) |
| | <u><u>\$ 12,865,902</u></u> |

Depreciation expense for the year ended December 31, 2019 was approximately \$461,000.

Note 7—New market tax credit transactions

During 2016, the Organization entered into a state and federal 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 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) of which approximately \$310,000 remains unamortized as of December 31, 2019. 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.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 7—New market tax credit transactions (continued)

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 (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.

Note 8—Notes payable

The Organization's notes payable balance consists of the following in addition to the NMTC financing discussed in Note 7:

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 approximately \$1,300, 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 \$196,000 of principal outstanding on the mortgage note as of December 31, 2019.

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. During the year ended December 31, 2019 the Organization repaid the outstanding balance of the \$1,000,000 note. The remaining note is secured by capital campaign. 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, 2019. Debt issuance costs related to the term note totaled approximately \$15,000. The Organization had approximately \$12,000 of principal outstanding on the remaining term note as of December 31, 2019.

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, 2019 the board member forgave approximately \$26,000 of the related party note payable. The Organization had approximately \$100,000 of principal outstanding on the related party note payable as of December 31, 2019.

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 8—Notes payable (continued)

Future maturities of notes payable, including the \$9,500,000 note discussed in Note 7, are as follows:

| <u>Years Ending December 31,</u> | |
|----------------------------------|----------------------------|
| 2020 | \$ 7,598 |
| 2021 | 7,598 |
| 2022 | 19,583 |
| 2023 | 9,607,653 |
| 2024 | 7,598 |
| Thereafter | <u>158,204</u> |
| | 9,808,234 |
| Deferred financing costs | <u>(327,762)</u> |
| | <u><u>\$ 9,480,472</u></u> |

Interest expense relating to notes payable for the year ended December 31, 2019 was approximately \$140,000.

Note 9—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 (4.75% as of December 31, 2019). As of December 31, 2019, the Organization had borrowed approximately \$389,000 on the NRLOC and incurred interest expense of approximately \$19,000 during the year ended December 31, 2019.

Note 10—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 operate the Museum to continually provide benefit to the community.

Note 11—Liquidity and availability of resources

Management has budgeted approximately \$2,411,000 of operating expenses to be paid within one year of the consolidated 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, 2019 was approximately \$415,000. In addition the Organization will rely on admissions and other revenues from operations during the year ended December 31, 2019 to pay operating expenses.

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

DECEMBER 31, 2019

Note 11—Liquidity and availability of resources (continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 consist of the following:

Financial assets as of year-end:

| | |
|---------------------------------------------------------------------|---------------|
| Cash | \$ 376,172 |
| Pledges receivable, net | 443,183 |
| Receivables (included in prepaid expenses and other current assets) | <u>42,627</u> |
| | 861,982 |

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

| | |
|--------------------------------------------|------------------|
| Restricted by donor with time restrictions | (208,000) |
| Restricted for loan reserve | <u>(273,560)</u> |
| | <u>(481,560)</u> |

| | |
|----------------------------------------------------------------------------------------|--------------------------|
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 380,422</u></u> |
|----------------------------------------------------------------------------------------|--------------------------|

Note 12—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 | Total Program Services | Membership Development | Management and General | Fundraising | Total Supporting Services | |
| Personnel | \$ 744,996 | \$ 744,996 | \$ 20,505 | \$ 251,894 | \$ 12,172 | \$ 284,571 | \$ 1,029,567 |
| Professional fees and services | 164,413 | 164,413 | - | 298,593 | 4,900 | 303,493 | 467,906 |
| Travel, meeting, and events | 88,342 | 88,342 | 4,194 | 12,971 | 5,135 | 22,300 | 110,642 |
| Operating supplies and equipment | 233,417 | 233,417 | 2,979 | 35,652 | 1,864 | 40,495 | 273,912 |
| Occupancy | 195,563 | 195,563 | 2,421 | 13,090 | 1,958 | 17,469 | 213,032 |
| Depreciation | 439,887 | 439,887 | 4,786 | 11,405 | 4,499 | 20,690 | 460,577 |
| Interest expense | 230,321 | 230,321 | 2,464 | 25,069 | 2,363 | 29,896 | 260,217 |
| Other | 61,855 | 61,855 | - | 69,509 | - | 69,509 | 131,364 |
| | <u>\$ 2,158,794</u> | <u>\$ 2,158,794</u> | <u>\$ 37,349</u> | <u>\$ 718,183</u> | <u>\$ 32,891</u> | <u>\$ 788,423</u> | <u>\$ 2,947,217</u> |

CADE MUSEUM FOUNDATION, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 13—Subsequent events

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “public health emergency of international concern,” which continues to spread throughout the world and has adversely impacted global commercial activity. The coronavirus outbreak and government responses are creating disruption in global supply chains and impacting many industries. The Organization closed the Museum temporarily effective March 2020. The outbreak could have a continued material adverse impact on economic and market conditions and could trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

In April 2020, the Organization received approximately \$189,000 of proceeds from a note payable funded under the Paycheck Protection Program as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note bears interest at 1% per annum, matures in April 2022 and will require monthly principal payments of approximately \$8,000 plus interest beginning in November 2020 through maturity. The currently issued guidelines of the program allow for the loan proceeds to be forgiven if certain requirements are met. Any loan proceeds not forgiven will be repaid in full.

SUPPLEMENTARY INFORMATION

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

DECEMBER 31, 2019

| | Cade Museum Foundation, Inc. | Cade Creativity Labs, Inc. | Elimination Entries | Consolidated Total |
|-------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------|--------------------------------|-------------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 141,172 | \$ 235,000 | \$ - | \$ 376,172 |
| Current portion of pledges receivable, net | 247,650 | - | - | 247,650 |
| Prepaid expenses and other current assets | 111,761 | 86,240 | (105,561) | 92,440 |
| Total Current Assets | <u>500,583</u> | <u>321,240</u> | <u>(105,561)</u> | <u>716,262</u> |
| Property and equipment, net | <u>612,232</u> | <u>12,253,670</u> | <u>-</u> | <u>12,865,902</u> |
| Other Assets: | | | | |
| Pledges receivable, net, less current portion | 195,533 | - | - | 195,533 |
| Investment in Gatorade Trust | 3,116,000 | - | - | 3,116,000 |
| Museum collection | 536,095 | 5,600 | - | 541,695 |
| Note receivable | 5,222,400 | - | - | 5,222,400 |
| Total Other Assets | <u>9,070,028</u> | <u>5,600</u> | <u>-</u> | <u>9,075,628</u> |
| Total Assets | <u><u>\$ 10,182,843</u></u> | <u><u>\$ 12,580,510</u></u> | <u><u>\$ (105,561)</u></u> | <u><u>\$ 22,657,792</u></u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current Liabilities: | | | | |
| Current portion of notes payable | \$ 7,598 | \$ - | \$ - | \$ 7,598 |
| Accounts payable and accrued expenses | 1,733 | 227,776 | (105,561) | 123,948 |
| Deferred revenue | - | 47,953 | - | 47,953 |
| Total Current Liabilities | <u>9,331</u> | <u>275,729</u> | <u>(105,561)</u> | <u>179,499</u> |
| Line of credit | 388,783 | - | - | 388,783 |
| Notes payable, less current portion and unamortized deferred debt issuance costs | <u>283,288</u> | <u>9,189,586</u> | <u>-</u> | <u>9,472,874</u> |
| Total Liabilities | <u>681,402</u> | <u>9,465,315</u> | <u>(105,561)</u> | <u>10,041,156</u> |
| Net Assets | <u>9,501,441</u> | <u>3,115,195</u> | <u>-</u> | <u>12,616,636</u> |
| Total Net Assets | <u>9,501,441</u> | <u>3,115,195</u> | <u>-</u> | <u>12,616,636</u> |
| Total Liabilities and Net Assets | <u><u>\$ 10,182,843</u></u> | <u><u>\$ 12,580,510</u></u> | <u><u>\$ (105,561)</u></u> | <u><u>\$ 22,657,792</u></u> |

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

YEAR ENDED DECEMBER 31, 2019

| | Cade Museum Foundation, Inc. | Cade Creativity Labs, Inc. | Elimination Entries | Consolidated Total |
|---------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------|--------------------------------|-------------------------------|
| Revenue, Gains, and Other Support: | | | | |
| Gatorade Trust royalties | \$ 414,502 | \$ - | \$ - | \$ 414,502 |
| Contribution and grant revenue | 845,498 | 256,031 | - | 1,101,529 |
| Membership and admissions | - | 196,240 | - | 196,240 |
| Educational programs | - | 138,950 | - | 138,950 |
| Gift shop | - | 53,434 | - | 53,434 |
| Facility rental income | - | 171,062 | - | 171,062 |
| Other income | 67,765 | 1,452,470 | (1,449,727) | 70,508 |
| Total Revenue, Gains, and Other Support | <u>1,327,765</u> | <u>2,268,187</u> | <u>(1,449,727)</u> | <u>2,146,225</u> |
| Expenses: | | | | |
| Program Activities: | | | | |
| Museum activities | 119,588 | 2,039,206 | - | 2,158,794 |
| Support Activities: | | | | |
| Membership development | 1,242 | 36,107 | - | 37,349 |
| Management and general | 132,282 | 585,901 | - | 718,183 |
| Fundraising | 7,022 | 25,869 | - | 32,891 |
| Total Support Activities | <u>140,546</u> | <u>647,877</u> | <u>-</u> | <u>788,423</u> |
| Total Expenses | <u>260,134</u> | <u>2,687,083</u> | <u>-</u> | <u>2,947,217</u> |
| Contribution from Cade Museum Foundation, Inc. to Cade Creativity Labs, Inc. | | | | |
| | <u>1,449,727</u> | <u>-</u> | <u>(1,449,727)</u> | <u>-</u> |
| Change in net assets | (382,096) | (418,896) | - | (800,992) |
| Net assets, beginning of year | <u>9,883,537</u> | <u>3,534,091</u> | <u>-</u> | <u>13,417,628</u> |
| Net assets, end of year | <u>\$ 9,501,441</u> | <u>\$ 3,115,195</u> | <u>\$ -</u> | <u>\$ 12,616,636</u> |