

Challenger Center for Space Science Education

Financial Statements
Including Uniform Guidance Reports
and Independent Auditors' Report

December 31, 2019 and 2018

Challenger Center for Space Science Education

Financial Statements
December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Challenger Center for Space Science Education

Report on the Financial Statements

We have audited the accompanying financial statements of Challenger Center for Space Science Education ("Challenger Center"), which comprise the statements of financial position as of December 31, 2019 and 2018; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Challenger Center as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Challenger Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 16, 2020, on our consideration of Challenger Center’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Challenger Center’s internal control over financial reporting and compliance.



Vienna, Virginia
June 16, 2020

Challenger Center for Space Science Education

Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 2,739,978	\$ 828,549
Investments	186,339	20,341
Accounts receivable, net	158,505	164,079
Grants receivable	-	86,295
Prepaid expenses and deposits	51,464	67,412
Intangible assets, net	43,468	234,882
Property and equipment, net	2,613	8,530
Total assets	<u>\$ 3,182,367</u>	<u>\$ 1,410,088</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 481,869	\$ 293,489
Deferred license fees	234,775	278,190
Refundable advances	1,386,071	-
Deferred rent	75,869	92,186
Note payable	389,591	320,237
Total liabilities	<u>2,568,175</u>	<u>984,102</u>
Net Assets		
Without donor restrictions	436,966	408,774
With donor restrictions:		
Purpose restricted	36,115	15,112
Perpetual in nature	141,111	2,100
Total net assets	<u>614,192</u>	<u>425,986</u>
Total liabilities and net assets	<u>\$ 3,182,367</u>	<u>\$ 1,410,088</u>

See accompanying notes.

Challenger Center for Space Science Education

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Science, Space, and Technology			
Education Trust Fund	\$ 1,000,000	\$ -	\$ 1,000,000
Federal grants and agreements	1,954,054	-	1,954,054
License fees	687,701	-	687,701
Consulting	593,105	-	593,105
Contributions and sponsorships	284,852	139,011	423,863
In-kind contributions	286,843	-	286,843
Non-federal grants	41,070	25,000	66,070
Registrations	18,197	-	18,197
Other revenue	10,490	-	10,490
Released from restrictions	13,208	(13,208)	-
	<u>4,889,520</u>	<u>150,803</u>	<u>5,040,323</u>
Total operating revenue and support			
Expenses			
Program services:			
Federal grants and other education			
programs	2,629,773	-	2,629,773
Network support	1,199,266	-	1,199,266
Communications	221,465	-	221,465
	<u>4,050,504</u>	<u>-</u>	<u>4,050,504</u>
Total program services			
Supporting services:			
Management and general	520,747	-	520,747
Development	298,851	-	298,851
	<u>819,598</u>	<u>-</u>	<u>819,598</u>
Total supporting services			
Total expenses	<u>4,870,102</u>	<u>-</u>	<u>4,870,102</u>
Change in Net Assets from Operations	19,418	150,803	170,221
Non-Operating Activity			
Investment return, net	8,774	9,211	17,985
Change in Net Assets	28,192	160,014	188,206
Net Asset, beginning of year	408,774	17,212	425,986
Net Asset, end of year	<u>\$ 436,966</u>	<u>\$ 177,226</u>	<u>\$ 614,192</u>

See accompanying notes.

Challenger Center for Space Science Education

Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Science, Space, and Technology			
Education Trust Fund	\$ 1,000,000	\$ -	\$ 1,000,000
Federal grants and agreements	1,420,392	-	1,420,392
License fees	661,090	-	661,090
Consulting	142,095	-	142,095
Contributions and sponsorships	250,922	2,788	253,710
In-kind contributions	492,182	-	492,182
Non-federal grants	27,553	-	27,553
Registrations	20,480	-	20,480
Other revenue	17,333	-	17,333
Released from restrictions	47,947	(47,947)	-
	<u>4,079,994</u>	<u>(45,159)</u>	<u>4,034,835</u>
Total operating revenue and support			
Expenses			
Program services:			
Federal grants and other education programs	2,122,942	-	2,122,942
Network support	938,197	-	938,197
Communications	256,707	-	256,707
	<u>3,317,846</u>	<u>-</u>	<u>3,317,846</u>
Total program services			
Supporting services:			
Management and general	458,533	-	458,533
Development	285,578	-	285,578
	<u>744,111</u>	<u>-</u>	<u>744,111</u>
Total supporting services			
Total expenses	<u>4,061,957</u>	<u>-</u>	<u>4,061,957</u>
Change in Net Assets from Operations	18,037	(45,159)	(27,122)
Non-Operating Activity			
Investment return, net	124	-	124
	<u>18,161</u>	<u>(45,159)</u>	<u>(26,998)</u>
Change in Net Assets			
Net Asset, beginning of year	<u>390,613</u>	<u>62,371</u>	<u>452,984</u>
Net Asset, end of year	<u>\$ 408,774</u>	<u>\$ 17,212</u>	<u>\$ 425,986</u>

See accompanying notes.

Challenger Center for Space Science Education

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services				Supporting Services		Total Expenses
	Federal Grants Other Education Programs	Network Support	Communications	Total Program Services	Management and General	Development	
Salaries	\$ 510,333	\$ 369,377	\$ 127,035	\$ 1,006,745	\$ 562,798	\$ 163,276	\$ 1,732,819
Fringe benefits	101,314	75,183	25,802	202,299	185,180	40,799	428,278
Professional fees	696,686	75,476	2,100	774,262	46,814	40,614	861,690
Audit fees	-	-	-	-	19,552	-	19,552
Supplies	160,891	113,020	21	273,932	24,972	276	299,180
Equipment rental, maintenance and repairs	-	1,202	-	1,202	7,731	-	8,933
Dues, subscriptions, publications	240	190	491	921	1,411	34	2,366
Software subscriptions	30,087	2,100	3,300	35,487	12,118	4,902	52,507
Printing and duplication	1,535	670	964	3,169	824	102	4,095
Postage and delivery	4,533	4,613	293	9,439	271	5,041	14,751
Advertising	-	-	500	500	-	-	500
Meetings	388	25,489	7,997	33,874	10,153	1,308	45,335
Recruiting and professional development	133	-	-	133	3,822	195	4,150
Travel	69,646	123,242	6,035	198,923	34,205	9,686	242,814
Interest expense	-	-	-	-	21,921	-	21,921
Depreciation and amortization	-	-	-	-	197,331	-	197,331
Telephone	-	-	-	-	30,678	-	30,678
Rent	-	-	-	-	279,303	-	279,303
Storage	-	4,664	-	4,664	-	-	4,664
Taxes	-	-	-	-	69,497	-	69,497
Insurance	-	-	-	-	12,224	-	12,224
Bank charges and regulatory fees	-	-	-	-	963	6,179	7,142
Website hosting	1,351	-	1,094	2,445	-	-	2,445
In-kind expenses	93,460	14,400	10,968	118,828	168,015	-	286,843
Bad debt expense	-	-	-	-	8,000	-	8,000
Miscellaneous expense	209,585	2,500	1,003	213,088	3,050	186	216,324
Contributions and grants	16,360	-	-	16,360	-	400	16,760
Total direct expenses	1,896,542	812,126	187,603	2,896,271	1,700,833	272,998	4,870,102
Indirect cost recovery	488,815	-	-	488,815	(488,815)	-	-
Overhead allocation	244,416	387,140	33,862	665,418	(691,271)	25,853	-
Total Expenses	\$ 2,629,773	\$ 1,199,266	\$ 221,465	\$ 4,050,504	\$ 520,747	\$ 298,851	\$ 4,870,102

See accompanying notes.

Challenger Center for Space Science Education

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Supporting Services		Total Expenses
	Federal Grants Other Education Programs	Network Support	Communications	Total Program Services	Management and General	Development	
Salaries	\$ 460,488	\$ 334,088	\$ 122,867	\$ 917,443	\$ 508,349	\$ 160,106	\$ 1,585,898
Fringe benefits	88,389	67,302	25,540	181,231	160,013	43,188	384,432
Professional fees	316,068	59,653	10,325	386,046	65,273	35,145	486,464
Audit fees	-	-	-	-	17,913	-	17,913
Supplies	134,816	22,190	850	157,856	32,200	85	190,141
Equipment rental, maintenance and repairs	-	104	-	104	7,745	408	8,257
Dues, subscriptions, publications	-	179	360	539	1,199	-	1,738
Software subscriptions	9,944	1,448	546	11,938	10,766	5,440	28,144
Printing and duplication	13,769	644	2,281	16,694	2,746	16	19,456
Postage and delivery	5,292	4,928	362	10,582	263	5,425	16,270
Advertising	-	-	-	-	-	550	550
Meetings	1,748	28,337	4,190	34,275	12,279	390	46,944
Professional development	87	-	385	472	-	-	472
Travel	86,278	67,189	7,651	161,118	39,509	5,942	206,569
Interest expense	-	-	-	-	26,583	-	26,583
Depreciation and amortization	126,214	-	-	126,214	72,919	-	199,133
Telephone	-	-	-	-	38,719	-	38,719
Rent	-	-	-	-	245,661	-	245,661
Storage	-	5,088	-	5,088	1,560	-	6,648
Insurance	-	-	-	-	15,273	-	15,273
Bank charges and regulatory fees	-	-	-	-	5,889	3,600	9,489
Website hosting	348	999	-	1,347	-	-	1,347
In-kind expenses	295,500	19,400	38,068	352,968	139,214	-	492,182
Bad debt expense	-	-	-	-	2,361	-	2,361
Miscellaneous expense	-	23,785	4,031	27,816	2,919	178	30,913
Contributions and grants	-	-	-	-	-	400	400
Total direct expenses	1,538,941	635,334	217,456	2,391,731	1,409,353	260,873	4,061,957
Indirect cost recovery	299,163	-	-	299,163	(299,163)	-	-
Overhead allocation	284,838	302,863	39,251	626,952	(651,657)	24,705	-
Total Expenses	\$ 2,122,942	\$ 938,197	\$ 256,707	\$ 3,317,846	\$ 458,533	\$ 285,578	\$ 4,061,957

See accompanying notes.

Challenger Center for Space Science Education

Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 188,206	\$ (26,998)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization – property and equipment	5,917	7,720
Amortization – intangible assets	191,414	191,413
Unrealized (gain) loss on investments	(14,212)	3,127
Donated stock	(43,889)	(1,604)
Contributions restricted for endowment	(139,011)	(2,100)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	5,574	(83,599)
Grants receivable	86,295	(65,179)
Prepaid expenses and deposits	15,948	(13,373)
Increase (decrease) in:		
Accounts payable and accrued expenses	188,380	51,268
Deferred license fees	(43,415)	(47,033)
Refundable advances	1,386,071	-
Deferred rent	(16,317)	(9,950)
Net cash provided by operating activities	1,810,961	3,692
Cash Flows from Investing Activity		
Purchases of investments	(107,897)	(328)
Net cash used in investing activity	(107,897)	(328)
Cash Flows from Financing Activities		
Proceeds from issuance of note payable	400,000	-
Principal payments on note payable	(330,646)	(100,057)
Collections of contributions restricted for endowment	139,011	2,100
Net cash provided by (used in) financing activities	208,365	(97,957)
Net Increase (Decrease) in Cash	1,911,429	(94,593)
Cash, beginning of year	828,549	923,142
Cash, end of year	\$ 2,739,978	\$ 828,549
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 21,921	\$ 26,583
Cash paid for unrelated business income taxes	\$ -	\$ 4,763

See accompanying notes.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Operations

Challenger Center for Space Science Education (“Challenger Center”) is a not-for-profit organization incorporated in 1986. Challenger Center and its global network of Challenger Learning Centers use space-themed simulated learning and role-playing strategies to help students develop scientific, problem-solving skills and overcome illiteracy in the field of science and technology.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Challenger Center’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses are reported as components of investment return in the accompanying statements of activities.

Accounts Receivable

Accounts receivable consist of amounts relating to program receipts that are billed as services are rendered. The allowance for doubtful accounts is recorded based upon management’s discretion for items that are past due and deemed no longer collectible. The allowance for doubtful accounts was \$30,000 at both December 31, 2019 and 2018.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consist of amounts relating to grant agreements. The entire amount is expected to be collected within one year, and is recorded at net realizable value at December 31, 2019 and 2018. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

Intangible Assets

Product Software

Challenger Center capitalizes certain costs associated with the development of simulation software upon reaching technological feasibility (“Product Software”). The Product Software is sold with the new installation of the learning centers, or as separate Mission Packages to the existing learning centers. The amortization of the capitalized Product Software costs started in 2015 with the beginning of sales. These costs are amortized on a straight-line basis over the estimated economic life of 5 years. Challenger Center performs periodic reviews to ensure that unamortized product software costs remain recoverable from estimated future operating profits. Costs to support or service licensed software are charged to costs of services as incurred.

Donated Website Development Costs

During 2015, Challenger Center received a donation of website development services in the amount of \$326,000. These services enhance a nonfinancial asset, require specialized skills, and would be purchased if they were not donated, and therefore were recognized as an intangible asset and a contribution in the accompanying financial statements. Website development costs will be amortized on a straight-line method over the estimated useful life of 5 years. Costs related to the planning stage of the website development project as well as ongoing website operating and support costs are expensed as incurred.

Property and Equipment

Property and equipment purchased at a cost of \$5,000 or more are capitalized and recorded at cost, or in the case of donated property, estimated fair market value at the date of donation. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to seven years.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Federal government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position. Advances received from the federal government grants are recorded as refundable advances upon receipt and recognized as revenue as allowable costs are incurred.

All grants and contributions are recorded as revenue when received or promised. Challenger Center reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of Challenger Center's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

License fees are classified as an exchange transaction, and the fees are due annually on the anniversary of the learning center's first public mission. License fees revenue is recognized ratably over the license term and license fees received that are applicable to the following year are included in deferred license fees in the accompanying statements of financial position.

Consulting revenues are classified as an exchange transaction and recognized when performance requirements are achieved.

Revenues from all other sources are recognized when earned.

In-Kind Contributions

Donated noncash items are recorded as support at their estimated fair values at the date of donation. Donated services are recognized if the services received create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donations.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred, and totaled \$500 and \$550 during the years ended December 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of Operations

Challenger Center considers investment return to be non-operating in nature and is not included in the change in net assets from operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Adopted Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Challenger Center has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Challenger Center has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020. Management continues to evaluate the potential impact of this update on Challenger Center's financial statements.

Subsequent Events

In preparing these financial statements, Challenger Center has evaluated events and transactions for potential recognition or disclosure through June 16, 2020, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact Challenger Center. The extent of the impact of COVID-19 on Challenger Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on Challenger Center's employees, members, and donors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact Challenger Center's financial condition or results of operations is uncertain.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 2,739,978	\$ 828,549
Investments	186,339	20,341
Accounts receivable, net	158,505	164,079
Grants receivable	-	86,295
	<u>3,084,822</u>	<u>1,099,264</u>
Total financial assets	3,084,822	1,099,264
Less amounts not available for general expenditures:		
Refundable advances	(1,386,071)	-
Net assets restricted by donors:		
Purpose restrictions	(36,115)	(15,112)
Perpetual in nature	(141,111)	(2,100)
	<u>(1,563,297)</u>	<u>(17,212)</u>
Financial assets available for general expenditures	<u>\$ 1,521,525</u>	<u>\$ 1,082,052</u>

The table above reflects Challenger Center's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

Challenger Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews Challenger Center's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in equities and mutual funds.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

4. Concentration of Credit Risk

Financial instruments that potentially subject Challenger Center to significant concentrations of credit risk consist of cash and investments. Challenger Center maintains cash deposit and transaction accounts, along with investments, with various financial institutions, and these values, from time to time may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Challenger Center has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

Challenger Center follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels are recognized at the end of the reporting period.

In general, and where applicable, Challenger Center uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

5. Investments and Fair Value Measurements (continued)

The following table presents Challenger Center's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total fair value
U.S. equities	\$ 186,330	\$ -	\$ -	\$ 186,330
Money market	9	-	-	9
Total investments	\$ 186,339	\$ -	\$ -	\$ 186,339

The following table presents Challenger Center's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total fair value
U.S. equities	\$ 17,037	\$ -	\$ -	\$ 17,037
Money market	3,304	-	-	3,304
Total investments	\$ 20,341	\$ -	\$ -	\$ 20,341

Investment return is comprised of the following for the years ended December 31:

	2019	2018
Interest and dividends	\$ 3,823	\$ 3,301
Unrealized gain (loss)	14,212	(3,127)
Investment management fees	(50)	(50)
Total investment return	\$ 17,985	\$ 124

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

6. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Gross carrying amount:		
Product software	\$ 631,068	\$ 631,068
Website	326,000	326,000
	<u>957,068</u>	<u>957,068</u>
Total intangible assets		
	<u>957,068</u>	<u>957,068</u>
Accumulated amortization:		
Product software	(631,068)	(504,854)
Website	(282,532)	(217,332)
	<u>(913,600)</u>	<u>(722,186)</u>
Less: accumulated amortization		
	<u>(913,600)</u>	<u>(722,186)</u>
Intangible assets, net	<u>\$ 43,468</u>	<u>\$ 234,882</u>

Amortization expense for the estimated remaining life of the website is estimated to be \$43,468 for the year ending December 31, 2020.

7. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 58,542	\$ 58,542
Furniture and fixtures	32,741	32,741
Leasehold improvements	10,000	10,000
	<u>101,283</u>	<u>101,283</u>
Total property and equipment		
Less: accumulated depreciation and amortization	<u>(98,670)</u>	<u>(92,753)</u>
Property and equipment, net	<u>\$ 2,613</u>	<u>\$ 8,530</u>

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

8. Revenue from Contracts with Customers

The following table provides information about significant changes in the deferred license fees for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	\$ 278,190	\$ 325,223
Revenue recognized	(278,190)	(325,223)
Payments received for future performance obligations	<u>234,775</u>	<u>278,190</u>
Balance at end of the year	<u><u>\$ 234,775</u></u>	<u><u>\$ 278,190</u></u>

Challenger Center has adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of Challenger Center's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way Challenger Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

9. Note Payable

As an additional resource for supporting working capital needs, Challenger Center entered into a promissory note agreement. The initial promissory note was obtained on December 17, 2015 for \$500,000 and yielded a 5.50% interest rate and required monthly payments of \$9,568 with a final payment of all unpaid principal and interest due on December 28, 2020. This promissory note was subsequently refinanced on September 7, 2016 with a new principal of \$550,000 and a final payment of all unpaid principal and interest due on August 28, 2021. On October 7, 2019, Challenger Center refinanced the promissory note with a new principal of \$400,000. This new promissory note yields a 5.50% interest rate and requires monthly payments of \$7,666 with a final payment of all unpaid principal and interest due on October 28, 2024. The effective interest rate at December 31, 2019 and 2018 was 5.5% and 7.50%, respectively.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

9. Note Payable (continued)

Future minimum principal payments under the note are as follows for the years ending December 31:

2020	\$	72,310
2021		76,449
2022		80,761
2023		85,317
2024		74,754
Future minimum principal payments	\$	389,591

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of December 31:

	2019	2018
Purpose restricted:		
June Scobee Rodgers Award	\$ 12,010	\$ 15,112
Northrop Grumman Grant	14,894	-
Total purpose restricted	26,904	15,112
Endowments:		
Subject to appropriation:		
Education programs	8,836	-
Awards for Innovation in Education	375	-
Perpetual in nature:		
June Scobee Rodgers Endowment	137,061	-
Joseph Pelton Endowment	4,050	2,100
Total net assets with donor restrictions	\$ 177,226	\$ 17,212

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

11. Endowment

Challenger Center's endowment funds include the June Scobee Rodgers Endowment Fund and the Joseph Pelton Endowment Fund. The June Scobee Rodgers Endowment Fund was established in 2019 and earnings on this fund will be used to further the development and delivery of education programs. The Joseph Pelton Endowment Fund was established in 2018 and earnings on this fund will be used to fund the Arthur C. Clarke Award for Innovation in Education. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Challenger Center has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Challenger Center to appropriate for expenditure or accumulate so much of an endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, Challenger Center retains in perpetuity (a) the original value of initial gift amounts donated to the endowment, (b) the original value of subsequent gift amounts donated to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Challenger Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of Challenger Center and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of Challenger Center; and (7) the investment policies of Challenger Center.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

11. Endowment (continued)

Return Objectives and Risk Parameters

Challenger Center's Investment Policy Statement outlines the objectives and guidelines for the investment of the assets held in the endowment fund. The objective of this policy is for the preservation of the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of Challenger Center.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Challenger Center relies on a total return strategy in which investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends). Challenger Center recognizes that the strategic allocation of fund assets across broadly defined asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and asset value stability. Diversification across and within asset classes is the primary means by which the Challenger Center expects the endowment assets to avoid undue risk of large losses over long time periods. To protect the endowment assets against unfavorable outcomes within an asset class due to the assumption of large risks, Challenger Center takes reasonable precautions to avoid excessive investment concentrations.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Challenger Center expects the current spending policy to allow its endowment assets to grow at a modest rate annually. This is consistent with Challenger Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

The annual investment income derived from the June Scobee Rodgers Endowment Fund will be used to fund current activities at Challenger Center with no less than 50% being reinvested in the endowment fund to ensure growth of the fund.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

11. Endowment (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Challenger Center to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by Challenger Center in net assets without donor restrictions. There were no fund deficiencies at December 31, 2019 and 2018.

Composition of Endowment Fund

Endowment net assets were comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds	\$ 150,322	\$ 2,100
Endowment net assets	<u>\$ 150,322</u>	<u>\$ 2,100</u>

Changes in Endowment Fund

Changes in endowment funds were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	\$ 2,100	\$ -
Contributions	139,011	2,100
Investment return, net	<u>9,211</u>	<u>-</u>
Balance at end of the year	<u>\$ 150,322</u>	<u>\$ 2,100</u>

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

12. Commitments and Contingencies

Operating Leases

Challenger Center leases office space in Washington, DC. The initial lease commenced on February 1, 2013 and expired on April 29, 2015. The lease called for monthly payments of \$30,564 and annual rental increases of 4% of the base rent. In April 2015, Challenger Center renewed this lease and expanded its office space. The renewed lease commenced on May 1, 2015 and expires on August 31, 2022. The lease contains provisions for scheduled annual rental increases of 2.5%, and certain incentives. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent in the accompanying statements of financial position.

In addition, Challenger Center leases office space in Kansas City, Missouri. The lease commenced on December 1, 2015 and expired on April 30, 2018 with fixed monthly payments of \$1,100. This lease was renewed on May 1, 2018 and expired on December 31, 2019, with fixed monthly payments of \$1,500. On November 27, 2019, the lease was renewed for a period of 24 months commencing on January 1, 2020 and expiring on December 31, 2021, with fixed monthly payments of \$1,600.

Challenger Center also leases certain office equipment under noncancelable operating leases.

Rent expense under all operating leases was \$279,303 and \$245,661 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows for the years ending December 31:

2020	\$ 287,032
2021	293,476
2022	<u>186,654</u>
Total future minimum lease payments	<u><u>\$ 767,162</u></u>

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

12. Commitments and Contingencies (continued)

Service Organization

Challenger Center has contracted with Insperity PEO Services, L.P. (“Insperity”) as their professional employer organization. As such, Insperity is the employer of record for tax, benefits, and insurance purposes for Challenger Center’s employees. This co-employment relationship allows Challenger Center to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities.

Federal Grants and Agreements

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

13. Line of Credit

In October 2019, Challenger Center opened a line of credit with a limit of \$350,000 to finance short-term working capital needs. Borrowing under this facility are payable on demand, and are secured by Challenger Center’s business assets and bank account held at the same institution. Interest is payable monthly at 1% above the bank’s prime rate. There were no outstanding borrowings on this line of credit at December 31, 2019.

14. Science, Space, and Technology Education Trust Fund

In accordance with Public Law 100-404 (1989), the National Aeronautics and Space Administration (NASA) transferred \$15,000,000 of appropriated funds to establish the Science, Space, and Technology Education Trust Fund (“the Trust Fund”). The Trust Fund invests in United States Treasury special issue securities. Challenger Center receives conditional grants in the amount of the lesser of actual interest earned or \$1,000,000 per year from the Trust Fund, provided that Challenger Center generates dollar-for-dollar matching of funds from nonfederal sources and these funds have been used to further science, space, and technology education. The Trust Fund disburses the interest earnings to Challenger Center each calendar quarter in the amount of \$250,000, which is reflected as unrestricted revenue. In accordance with the provisions of the Trust Fund, as of December 31, 2019, Challenger Center has generated total matching funds of \$88,460,035 and has received disbursements totaling \$31,000,000 since its inception.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

15. In-Kind Contributions

In-kind contributions of goods and services have been reflected in the accompanying statements of activities and consist of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Legal services	\$ 134,615	\$ 86,917
Consulting services	87,428	381,408
Meeting and conference	44,800	23,057
Supplies	<u>20,000</u>	<u>800</u>
Total in-kind contributions	<u>\$ 286,843</u>	<u>\$ 492,182</u>

16. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, and other, which are allocated on the basis of estimates of time and effort.

17. Retirement Plan

Challenger Center maintains a 401(k) plan open to all full-time employees upon their date of hire. Employees contribute by payroll deductions on a pre-tax basis up to the amount allowable by Federal law. Employees' deferrals are immediately 100% vested. Until September 30, 2012, Challenger Center matched 50% of employee contributions up to the first 6% of the employee's annual salary, and these contributions vested 100% immediately. Effective October 1, 2012, Challenger Center amended the 401(k) plan to a Safe Harbor matching contribution.

Challenger Center matches 100% of employee contributions up to the first 6% of the employee's annual salary. Contributions to the plan for the years ended December 31, 2019 and 2018 were \$88,116 and \$77,232, respectively.

Challenger Center for Space Science Education

Notes to Financial Statements
December 31, 2019 and 2018

18. Related Party Transactions

Challenger Center receives support in the form of unrestricted contributions from its Board members. For the years ended December 31, 2019 and 2018, Challenger Center received \$129,063 and \$56,502 respectively, which is included in contributions and sponsorships in the accompanying statements of activities.

19. Income Taxes

Challenger Center is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). Contributions to Challenger Center are deductible as provided in IRC Section 170(b)(1)(A)(vi). Challenger Center is subject to tax on income from unrelated business activities. For the year ended December 31, 2019, no tax provision was made as Challenger Center had no significant unrelated business income. For the year ended December 31, 2018, Challenger Center generated unrelated business income from taxable transportation fringe benefits of \$16,700 and the estimated tax expense was \$4,763. The 2018 estimated taxes on transportation fringe benefits were subsequently amended and refunded in 2019.

Management has evaluated Challenger Center's tax positions and concluded that Challenger Center's financial statements do not include any uncertain tax positions.

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Challenger Center for Space Science Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Challenger Center for Space Science Education ("Challenger Center"), which comprise the statement of financial position as of December 31, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Challenger Center's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Challenger Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Challenger Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Challenger Center’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
June 16, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Challenger Center for Space Science Education

Report on Compliance for Each Major Federal Program

We have audited Challenger Center for Space Science Education's ("Challenger Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Challenger Center's major federal program for the year ended December 31, 2019. Challenger Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Challenger Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Challenger Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Challenger Center's compliance.

Opinion on the Major Federal Program

In our opinion, Challenger Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of Challenger Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Challenger Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Challenger Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Vienna, Virginia
June 16, 2020

Challenger Center for Space Science Education

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Agency or Pass- Through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
National Aeronautics and Space Administration (NASA)				
Science Mission Directorate Science Education Cooperative Agreement Notice (CAN)	NNX16AD70A	43.001	\$ -	\$ 1,237,650
National Science Foundation				
Education and Human Resources	1759320	47.076	-	704,544
U.S. Department of State				
Public Diplomacy Programs	SAU91517GR0028	19.040	-	11,860
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 1,954,054</u>

See accompanying notes to this schedule.

Challenger Center for Space Science Education

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Challenger Center under the programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Challenger Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Challenger Center.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. Indirect Cost Rates

Expenditures of federal awards include a portion of costs associated with general activities (indirect costs), which are allocated to the federal awards, which are approved by the federal agency on an annual basis. In this manner, Challenger Center has elected not to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

Challenger Center for Space Science Education

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over the major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes No

Identification of major federal program:

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
47.076	Education and Human Resources

Dollar threshold used to distinguish between Types A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Challenger Center for Space Science Education

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

Section II – Financial Statement Findings

There were no financial statement findings reported during the 2019 audit.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported during the 2019 audit.

Challenger Center for Space Science Education

Corrective Action Plan For the Year Ended December 31, 2019

There were no findings for the year ended December 31, 2019; therefore, a corrective action plan was not needed.

Challenger Center for Space Science Education

Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

There were no findings or questioned costs reported for the 2018 audit.