

**THE LIVING ARTS AND  
SCIENCE CENTER, INC.**

**LEXINGTON, KENTUCKY**

**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT AUDITORS**

**June 30, 2010 and 2009**

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**LEXINGTON, KENTUCKY**

C O N T E N T S

	<u>Page</u>
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14



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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
The Living Arts and Science Center, Inc.  
Lexington, Kentucky

We have audited the accompanying statements of financial position of The Living Arts and Science Center, Inc. (the Center) as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blue & Co., LLC*

January 7, 2011

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2010 and 2009

<u>A S S E T S</u>		
	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 151,947	\$ 127,463
Pledge receivable, net	144,527	191,446
Prepaid expenses and other assets	<u>3,924</u>	<u>1,056</u>
Total current assets	<u>300,398</u>	<u>319,965</u>
Investments held by others	<u>78,565</u>	<u>65,725</u>
Property and equipment:		
Land	145,000	145,000
Construction in progress	0	1,650
Office equipment	66,250	65,629
Program equipment	72,940	69,190
Buildings	<u>782,898</u>	<u>763,278</u>
	1,067,088	1,044,747
Accumulated depreciation	<u>(570,199)</u>	<u>(541,253)</u>
Net property and equipment	<u>496,889</u>	<u>503,494</u>
Total assets	<u>\$ 875,852</u>	<u>\$ 889,184</u>

L I A B I L I T I E S   A N D   N E T   A S S E T S

Current liabilities:		
Accounts payable	\$ 2,819	\$ 3,147
Accrued expenses	32,140	23,209
Deferred revenue	5,524	4,615
Other current liabilities	<u>2,826</u>	<u>1,593</u>
Total current liabilities	<u>43,309</u>	<u>32,564</u>
Net assets:		
Unrestricted	532,884	542,058
Temporarily restricted	221,094	248,837
Permanently restricted	<u>78,565</u>	<u>65,725</u>
Total net assets	<u>832,543</u>	<u>856,620</u>
Total liabilities and net assets	<u>\$ 875,852</u>	<u>\$ 889,184</u>

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support:				
Art exhibit sales	\$ 659	\$	\$	\$ 659
Contributions	115,256			115,256
Fund for the Arts	102,250			102,250
Grants		119,932		119,932
Contributed services	22,085			22,085
In-kind contributions	60,628			60,628
Interest income	914			914
Membership fees	10,302			10,302
Miscellaneous	1,563			1,563
Pledges, amortization	3,081			3,081
Science tours and retail shop	17,912			17,912
Tuition	93,156			93,156
Change in present value of beneficial interest in perpetual trust			12,840	12,840
Net assets released from restriction:				
Satisfaction of program restrictions	<u>147,675</u>	<u>(147,675)</u>		<u>0</u>
Total revenues	<u>575,481</u>	<u>(27,743)</u>	<u>12,840</u>	<u>560,578</u>
Expenses:				
Program expenses	316,633			316,633
General and administration	178,197			178,197
Fundraising	<u>89,825</u>			<u>89,825</u>
Total expenses	<u>584,655</u>	<u>0</u>	<u>0</u>	<u>584,655</u>
Change in net assets	(9,174)	(27,743)	12,840	(24,077)
Net assets, beginning of year	<u>542,058</u>	<u>248,837</u>	<u>65,725</u>	<u>856,620</u>
Net assets, end of year	<u>\$ 532,884</u>	<u>\$ 221,094</u>	<u>\$ 78,565</u>	<u>\$ 832,543</u>

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues and support:				
Art exhibit sales	\$ 2,077	\$	\$	\$ 2,077
Contributions	102,804	241,446		344,250
Fund for the Arts	102,188			102,188
Grants		100,742		100,742
Contributed services	15,697			15,697
In-kind contributions	62,719			62,719
Interest income	883			883
Membership fees	11,880			11,880
Miscellaneous	1,845			1,845
Science tours and retail shop	19,618			19,618
Tuition	87,331			87,331
Change in present value of beneficial interest in perpetual trust			(16,045)	(16,045)
Net assets released from restriction:				
Satisfaction of program restrictions	<u>97,172</u>	<u>(97,172)</u>		<u>0</u>
Total revenues	<u>504,214</u>	<u>245,016</u>	<u>(16,045)</u>	<u>733,185</u>
Expenses:				
Program expenses	236,825			236,825
General and administration	216,419			216,419
Fundraising	81,628			81,628
Total expenses	<u>534,872</u>	<u>0</u>	<u>0</u>	<u>534,872</u>
Change in net assets	(30,658)	245,016	(16,045)	198,313
Net assets, beginning of year	<u>572,716</u>	<u>3,821</u>	<u>81,770</u>	<u>658,307</u>
Net assets, end of year	<u>\$ 542,058</u>	<u>\$ 248,837</u>	<u>\$ 65,725</u>	<u>\$ 856,620</u>

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2010

	Program Services			General and admin	Fundraising	Total
	Art exhibition	Science and art classes	Total			
Art exhibit	\$ 2,340	\$	\$ 2,340	\$	\$	\$ 2,340
Bank and investment fees			0	334		334
Benefits		17,462	17,462	9,133		26,595
Commissions	421		421			421
Conferences and travel			0	10		10
Contractual labor and services			0	50		50
Credit card fees			0	3,037		3,037
Depreciation		14,473	14,473	14,473		28,946
Dues and subscriptions			0	1,083		1,083
Equipment rent			0	3,334		3,334
H'Artful of Fun			0		16,615	16,615
Hospitality			0	3,632		3,632
Insurance		4,712	4,712	2,019		6,731
Miscellaneous			0	4,255	179	4,434
Payroll taxes		15,022	15,022	7,857		22,879
Postage		4,635	4,635	1,986		6,621
Printing		8,510	8,510	3,647		12,157
Professional services			0	5,700		5,700
Promotional			0		5,568	5,568
Repairs and maintenance		5,717	5,717	2,450		8,167
Salaries and wages		191,599	191,599	100,212		291,811
Science explorers		19,659	19,659			19,659
Security			0	1,301		1,301
Supplies		12,773	12,773	5,474		18,247
Telephone		2,635	2,635	1,129		3,764
Utilities		7,539	7,539	3,231		10,770
Website			0	485		485
In-kind donations, services:						
Guest speakers		1,200	1,200			1,200
H'Artful of Fun			0		15,000	15,000
Professional services				3,365		3,365
Teaching assistants		2,520	2,520			2,520
In-kind donations, other:						
H'Artful of Fun			0		52,463	52,463
Landscaping		3,358	3,358			3,358
Supplies		2,058	2,058			2,058
Total expenses	\$ 2,761	\$ 313,872	\$ 316,633	\$ 178,197	\$ 89,825	\$ 584,655

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2009

	Program Services			General and admin	Fundraising	Total
	Art exhibition	Science and art classes	Total			
Art exhibit	\$ 642	\$	\$ 642	\$	\$	\$ 642
Bank and investment fees			0	282		282
Benefits		12,130	12,130	10,236		22,366
Commissions	1,299		1,299			1,299
Conferences and travel			0	145		145
Contractual labor and services			0	1,300		1,300
Credit card fees			0	2,945		2,945
Depreciation		13,025	13,025	13,025		26,050
Dues and subscriptions			0	1,433		1,433
Equipment rent		465	465	3,178		3,643
H'Artful of Fun			0		23,834	23,834
Hospitality			0	2,628		2,628
Insurance		4,423	4,423	4,423		8,846
Miscellaneous			0	1,416	590	2,006
Payroll taxes		10,491	10,491	8,853		19,344
Postage		2,894	2,894	2,894		5,788
Printing		7,113	7,113	7,113		14,226
Professional services			0	5,686		5,686
Promotional			0		4,922	4,922
Repairs and maintenance		5,727	5,727	5,727		11,454
Salaries and wages		129,082	129,082	108,918		238,000
Science explorers		13,117	13,117			13,117
Security			0	1,640		1,640
Supplies		13,509	13,509	13,509		27,018
Telephone		1,870	1,870	1,870		3,740
Utilities		6,669	6,669	6,669		13,338
Website			0	764		764
In-kind donations, services:						
Guest speakers		1,200	1,200			1,200
H'Artful of Fun			0		2,000	2,000
Professional services			0	9,977		9,977
Teaching assistants		2,520	2,520			2,520
In-kind donations, other:						
H'Artful of Fun			0		50,282	50,282
Landscaping		1,789	1,789	1,788		3,577
Supplies		8,860	8,860			8,860
<b>Total expenses</b>	<b>\$ 1,941</b>	<b>\$ 234,884</b>	<b>\$ 236,825</b>	<b>\$ 216,419</b>	<b>\$ 81,628</b>	<b>\$ 534,872</b>

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (24,077)	\$ 198,313
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	28,946	26,050
Change in present value of beneficial interest in perpetual trust	(12,840)	16,045
Changes in operating assets and liabilities:		
Pledge receivable	46,919	(191,446)
Prepaid expenses and other assets	(2,868)	(376)
Accounts payable	(328)	(1,671)
Accrued expenses	8,931	5,528
Deferred revenue	909	860
Other current liabilities	<u>1,233</u>	<u>(185)</u>
Net cash flows from operating activities	<u>46,825</u>	<u>53,118</u>
 Cash flows from investing activities:		
Purchase of equipment	<u>(22,341)</u>	<u>(14,606)</u>
 Change in cash and cash equivalents	24,484	38,512
 Cash and cash equivalents, beginning of year	<u>127,463</u>	<u>88,951</u>
 Cash and cash equivalents, end of year	<u>\$ 151,947</u>	<u>\$ 127,463</u>
 Supplemental disclosure:		
 Noncash contributions of equipment	<u>\$ 2,750</u>	<u>\$ 0</u>

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Living Arts and Science Center, Inc. (the Center) is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Nature of Activities:

The Center was organized as a not-for-profit organization in 1968 to provide creative and educational opportunities in the arts and sciences accessible to all children and adults in the central Kentucky area. The Center provides classes at their own facility and works with numerous social service agencies, school systems, community groups, and the local government to provide no-cost and low-cost arts and science programs to at-risk and underserved children and adults. The Center's revenues primarily come from contributions, tuition, membership fees, and science tours.

Basis of Accounting:

The financial statements of the Center have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation:

The financial statements of the Center have been prepared following the recommendations of Accounting Standards Codification (ASC) 958-205 - *Nonprofit Organization Entities, Presentation of Financial Statements*. Under the provisions set forth therein, the Center is required to report information on activities under three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Allocation of Expenses:

Expenses that can be directly attributed to a particular function are charged to that function. Certain indirect costs have been allocated among program services, general and management, and fundraising.

Cash Equivalents:

The Center considers all amounts available for immediate withdrawal to be cash equivalents.

Pledges:

Pledges are recorded after discounting to the present value of future cash flows, using a risk-free interest rate at the time the pledge is made.

Investments:

The Center carries investments in marketable securities with readily determinable fair values established by quoted market prices and all investments in debt securities at their fair values. Money market accounts are carried at cost, which approximates fair value. Unrealized gains and losses are included in the determination of the change in net assets in the statements of activities.

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

Property and equipment is recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of donations. Acquisitions of equipment in excess of \$500 are capitalized. Depreciation is recorded using the straight-line method over estimated useful lives of the respective assets, which range from 5 to 40 years. Donated fixed assets are capitalized at their estimated fair market values at the date of receipt.

Membership Dues:

Membership dues are recognized as revenue in the applicable membership period. Prepayments by members are reported as deferred revenue. Memberships provide benefits that entail discounts on classes and workshops offered by the Center, mailings of all class schedules, newsletters and invitations by the Center, 10% discount in the Center art galleries and gift shop, and access to the Center's photographic darkroom. Memberships can be obtained at five different levels ranging from \$30 to \$500. Additional benefits are included as price range increases. Memberships are not required in order to participate in Center programs or workshops.

Tax Exempt Status:

The Center is a not-for-profit corporation, other than a private foundation, organized under Section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes. Accordingly, no income tax expense is reflected in the accompanying financial statements.

Contributions:

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Use of Estimates:

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Advertising:

The Center uses advertising to promote its programs among the community it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2010 and 2009 was \$5,568 and \$4,922, respectively.

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 2 - INVESTMENTS HELD BY OTHERS**

Investments held by others is a donor designated endowment fund that is the property of Blue Grass Community Foundation (BGCF) which has variance power over the funds. BGCF includes a corresponding liability in its financial statements for the amounts attributable to the Center. Distributions of the funds are at the discretion of BGCF board and the funds are invested in accordance with the BGCF investment policy. All the investments held by BGCF are based on unobservable inputs which are considered Level 3 measurements. The majority of BGCF's investments are equity securities with a smaller allocation in fixed income securities and a relatively minor allocation in alternative investments.

The change in assets measured on a recurring basis using significant unobservable inputs (Level 3) is as follows for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 65,725	\$ 81,770
Change in value of funds held in trust	<u>12,840</u>	<u>(16,045)</u>
Ending balance	<u>\$ 78,565</u>	<u>\$ 65,725</u>

**NOTE 3 - PLEDGES RECEIVABLE**

In 2009, the Center received a pledge to contribute \$50,000 annually through 2013 for the Development Director position and the fundraising and development work of the Center. Pledges receivable at June 30, 2010 represent unconditional promises to give as follows:

	<u>2010</u>	<u>2009</u>
Unconditional promises to give	\$ 150,000	\$ 200,000
Less unamortized discount	<u>(5,473)</u>	<u>(8,554)</u>
Ending balance	<u>\$ 144,527</u>	<u>\$ 191,446</u>

Pledges receivable are due as follows:

2011	\$ 50,000
2012	50,000
2013	<u>50,000</u>
Ending balance	<u>\$ 150,000</u>

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate for pledges receivable at June 30, 2010 was 1.73%. Management feels the pledge will be fully collectible and thus, no allowance for uncollectible pledges has been made.

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 3 - PLEDGES RECEIVABLE (CONTINUED)**

Pledges receivable are carried at fair value on a recurring basis using unobservable inputs (Level 3). Following is a reconciliation of activity for pledges receivable for years ending June 30:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 191,446	\$ 0
Pledges	0	250,000
Collections	(50,000)	(50,000)
Adjustment for net present value	<u>3,081</u>	<u>(8,554)</u>
Ending balance	\$ <u>144,527</u>	\$ <u>191,446</u>

**NOTE 4 - LEASES**

The Center leases a copier under an operating lease which expires in August 2011. Total equipment rental expense for 2010 and 2009 was \$3,334 and \$3,643, respectively. Future minimum lease payments are \$1,909 for fiscal year 2011 and \$318 for fiscal year 2012. The aggregate of future minimum lease payments is \$2,227.

**NOTE 5 - ENDOWMENT FUND**

The Center has adopted the enhanced disclosure provisions of Accounting Standards Codification (ASC) 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The adoption of ASC 958-205 did not have a material impact on the Center's financial statements. ASC 958-205 provides for improved disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The commonwealth of Kentucky adopted UPMIFA in March 2010.

The Center's endowment includes funds designated by the Board of Directors and donor-restricted funds to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Center does not have an investment policy. In approving endowment, spending and related policies, as part of the prudent and diligent discharge of its duties, the Center's Board of Directors as authorized by Kentucky law, has relied upon the actions, reports, information, advice and counsel taken from its third-party trustee.

For accounting and financial statement purposes, the Center classifies as permanently restricted net assets the value of assets held as board-designated and donor-restricted endowments, including any subsequent gifts and any accumulations to board and donor-restricted endowments.

The BGCF audit report can be referred to for disclosures regarding the investment policies of the endowment fund. The most recent annual report for BGCF is located on the internet.

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 5 - ENDOWMENT FUND (CONTINUED)**

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ 0	\$ 0	\$ 1,425	\$ 1,425
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>77,140</u>	<u>77,140</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,565</u>	<u>\$ 78,565</u>

Changes in endowment net assets as of June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 0	\$ 0	\$ 65,725	\$ 65,725
Change in funds held in trust by others	<u>0</u>	<u>0</u>	<u>12,840</u>	<u>12,840</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,565</u>	<u>\$ 78,565</u>

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ 0	\$ 0	\$ 1,425	\$ 1,425
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>64,300</u>	<u>64,300</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,725</u>	<u>\$ 65,725</u>

Changes in endowment net assets as of June 30, 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 0	\$ 0	\$ 81,770	\$ 81,770
Change in funds held in trust by others	<u>0</u>	<u>0</u>	<u>(16,045)</u>	<u>(16,045)</u>
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,725</u>	<u>\$ 65,725</u>

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 6 - NET ASSET CLASSIFICATION**

Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met. Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2010</u>	<u>2009</u>
Development Director	\$ 207,468	\$ 236,167
Science Explorer Program	9,130	9,901
Technology upgrades	2,000	2,000
Other	<u>2,496</u>	<u>769</u>
Total	<u>\$ 221,094</u>	<u>\$ 248,837</u>

Permanently restricted net assets, which were \$78,565 at June 30, 2010 and \$65,725 at June 30, 2009, were restricted for scholarships.

**NOTE 7 - DONATED SERVICES**

Various individuals and organizations donated in-kind teaching assistance and guest speaking services to the Center at rates less than fair value. The excess of fair value of services over the amount paid by the Center to these individuals and organizations was recognized as revenues and expenses when the services were provided in accordance with ASC 958-605, *Revenue Recognition - Contributions Received*. The total recognized for the years ending June 30, 2010 and 2009 was \$3,720, respectively, for each year.

The Center received donated services for hosting a fundraising auction. The amounts recognized for these services were \$13,000 and \$0, respectively, for the years ended June 30, 2010 and 2009.

Various professional organizations contributed in-kind accounting and maintenance services to the Center at rates less than fair value. The excess of fair value of services over the amount paid by the Center to these various professional organizations was recognized as revenues and expenses when the services were provided in accordance with ASC 958-605. The total recognized for the years ending June 30, 2010 and 2009 was \$3,365 and \$9,977, respectively.

The Center receives contributed in-kind rental space. The excess of fair value over the amount paid by the Center was recognized as revenues and expenses in accordance with ASC 958-605. The total recognized was \$2,000 for each of the years ending June 30, 2010 and 2009, respectively.

**NOTE 8 - RETIREMENT PLAN**

During 2009, the Center initiated a Simple IRA Plan for full-time employees earning more than \$5,000. Eligible employees may contribute up to the maximum amount allowed by the Internal Revenue Code. The Center will match employee contributions up to three percent of an employee's salary. Retirement expense for the Center was approximately \$5,900 and \$3,600, respectively for the years ended June 30, 2010 and 2009.

**THE LIVING ARTS AND SCIENCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 9 - CONCENTRATIONS**

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash deposits, investments, and promises to give receivables.

The Center maintains its cash balances at financial institutions in Lexington, Kentucky. The Federal Deposit Insurance Corporation insures up to \$250,000 at each institution. During the year, the balances may exceed the FDIC insured amount. All funds were FDIC insured at year end.

At June 30, 2010 and 2009 all promises to give were due from one donor.

For the year ended June 30, 2010 approximately 45% of all contributions, not including in-kind contributions, was received from two donors.

For the year ended June 30, 2009 approximately 73% of all contributions, not including in-kind contributions, was received from three donors.

**NOTE 10 - SUBSEQUENT EVENTS**

The Center has evaluated subsequent events through January 7, 2011, the date which the financial statements were available to be issued.