

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

Financial Statements

*Years Ended June 30, 2011 and 2010
with Independent Auditors' Report Thereon*

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements:	
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 the Financial Statements	8-16

MURRAY & ASSOCIATES, LLC

Certified Public Accountants

Colleen V. Murray, CPA

Kirsten A. Petrey, CPA

Independent Auditors' Report

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, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. The financial statements of The Living Arts and Science Center, Inc. as of and for the year ended June 30, 2010, were audited by other auditors whose report dated January 7, 2011, expressed an unqualified opinion on those statements.

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 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 audit provides 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Murray & Associates, LLC

MURRAY & ASSOCIATES, LLC

Winchester, Kentucky

December 29, 2011

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statements of Financial Position

June 30, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 182,909	\$ 151,947
Pledge receivable, net	97,464	144,527
Prepaid expenses and other assets	<u>5,965</u>	<u>3,924</u>
Total current assets	286,338	300,398
Investments held by others	95,779	78,565
Property and equipment:		
Land	145,000	145,000
Construction in progress	51,985	-
Office equipment	58,635	66,250
Program equipment	65,804	72,940
Buildings	<u>783,472</u>	<u>782,898</u>
	1,104,896	1,067,088
Accumulated depreciation	<u>(575,071)</u>	<u>(570,199)</u>
Net property and equipment	<u>529,825</u>	<u>496,889</u>
Total assets	<u><u>\$ 911,942</u></u>	<u><u>\$ 875,852</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,185	\$ 2,819
Accrued expenses	31,087	32,140
Deferred revenue	40,367	5,524
Other current liabilities	<u>1,802</u>	<u>2,826</u>
Total current liabilities	75,441	43,309
Net assets:		
Unrestricted	581,229	532,884
Temporarily restricted	159,493	221,094
Permanently restricted	<u>95,779</u>	<u>78,565</u>
Total net assets	<u>836,501</u>	<u>832,543</u>
Total liabilities and net assets	<u><u>\$ 911,942</u></u>	<u><u>\$ 875,852</u></u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Art exhibit sales	\$ 2,714	\$ -	\$ -	\$ 2,714
Contributions	113,755	54,325	-	168,080
Fund for the Arts	103,775	-	-	103,775
Grants	-	134,834	-	134,834
Contributed services	22,962	-	-	22,962
In-kind contributions	55,603	-	-	55,603
Interest income	177	-	-	177
Membership fees	10,889	-	-	10,889
Miscellaneous	3,287	-	-	3,287
Pledges, amortization	2,936	-	-	2,936
Science tours and retail shop	29,426	-	-	29,426
Tuition	93,237	-	-	93,237
Change in present value of beneficial interest in perpetual trust	-	-	17,214	17,214
Net assets released from restriction	250,760	(250,760)	-	-
Total revenue	689,521	(61,601)	17,214	645,134
Expenses:				
Program expenses	381,265	-	-	381,265
General and administration	166,203	-	-	166,203
Fundraising	93,708	-	-	93,708
Total expenses	641,176	-	-	641,176
Change in net assets	48,345	(61,601)	17,214	3,958
Net assets, beginning of year	532,884	221,094	78,565	832,543
Net assets, end of year	\$ 581,229	\$ 159,493	\$ 95,779	\$ 836,501

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other 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	147,675	(147,675)	-	-
Total revenue	575,481	(27,743)	12,840	560,578
Expenses:				
Program expenses	316,633	-	-	316,633
General and administration	178,197	-	-	178,197
Fundraising	89,825	-	-	89,825
Total expenses	584,655	-	-	584,655
Change in net assets	(9,174)	(27,743)	12,840	(24,077)
Net assets, beginning of year	542,058	248,837	65,725	856,620
Net assets, end of year	\$ 532,884	\$ 221,094	\$ 78,565	\$ 832,543

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2011

	<u>Program Services</u>			<u>General and Admin</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Art Exhibition</u>	<u>Science and Art Classes</u>	<u>Total</u>			
Art exhibit	\$ 1,835	\$ -	\$ 1,835	\$ -	\$ -	\$ 1,835
Bank and investment fees	-	-	-	595	-	595
Benefits	-	17,414	17,414	10,434	-	27,848
Commissions	1,549	-	1,549	-	-	1,549
Contractual labor	-	-	-	120	-	120
Credit card fees	-	-	-	3,442	-	3,442
Depreciation	-	12,756	12,756	12,756	-	25,512
Dues and subscriptions	-	-	-	924	-	924
Equipment rent	-	-	-	3,492	-	3,492
H'Artful of fun	-	-	-	-	22,001	22,001
Hospitality	-	-	-	4,025	-	4,025
Insurance	-	6,607	6,607	2,833	-	9,440
Miscellaneous	-	-	-	1,550	2,693	4,243
Payroll taxes	-	19,383	19,383	7,304	-	26,687
Postage	-	8,550	8,550	3,664	-	12,214
Printing	-	9,744	9,744	4,175	-	13,919
Professional services	-	-	-	5,700	-	5,700
Promotional	-	-	-	-	4,076	4,076
Repairs and maintenance	-	3,337	3,337	1,430	-	4,767
Retail shop	-	1,336	1,336	-	-	1,336
Salaries and wages	-	239,168	239,168	90,125	-	329,293
Science explorers	-	20,573	20,573	-	-	20,573
Security	-	-	-	1,443	-	1,443
Storage Rental	-	-	-	934	-	934
Supplies	-	14,120	14,120	6,051	-	20,171
Telephone	-	1,979	1,979	848	-	2,827
Utilities	-	9,287	9,287	3,980	-	13,267
Website	-	-	-	378	-	378
In-kind donations, services:						
Guest speakers	-	1,200	1,200	-	-	1,200
H'Artful of fun	-	-	-	-	15,000	15,000
Professional services	-	-	-	-	-	-
Teaching assistance	-	2,520	2,520	-	-	2,520
Landscaping	-	4,242	4,242	-	-	4,242
In-kind donations, other:						
H'Artful of fun	-	-	-	-	49,938	49,938
Supplies	-	5,665	5,665	-	-	5,665
Total expenses	\$ 3,384	\$ 377,881	\$ 381,265	\$ 166,203	\$ 93,708	\$ 641,176

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2010

	<u>Program Services</u>			<u>General and Admin</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Art Exhibition</u>	<u>Science and Art Classes</u>	<u>Total</u>			
Art exhibit	\$ 2,340	\$ -	\$ 2,340	\$ -	\$ -	\$ 2,340
Bank and investment fees	-	-	-	334	-	334
Benefits	-	17,462	17,462	9,133	-	26,595
Commissions	421	-	421	-	-	421
Conferences and travel	-	-	-	10	-	10
Contractual labor	-	-	-	50	-	50
Credit card fees	-	-	-	3,037	-	3,037
Depreciation	-	14,473	14,473	14,473	-	28,946
Dues and subscriptions	-	-	-	1,083	-	1,083
Equipment rent	-	-	-	3,334	-	3,334
H'Artful of fun	-	-	-	-	16,615	16,615
Hospitality	-	-	-	3,632	-	3,632
Insurance	-	4,712	4,712	2,019	-	6,731
Miscellaneous	-	-	-	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	-	-	-	5,700	-	5,700
Promotional	-	-	-	-	5,568	5,568
Repairs and maintenance	-	5,717	5,717	2,450	-	8,167
Retail shop	-	1,810	1,810	-	-	1,810
Salaries and wages	-	191,599	191,599	100,212	-	291,811
Science explorers	-	17,849	17,849	-	-	17,849
Security	-	-	-	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	-	-	-	485	-	485
In-kind donations, services:						
Guest speakers	-	1,200	1,200	-	-	1,200
H'Artful of fun	-	-	-	-	15,000	15,000
Professional services	-	-	-	3,365	-	3,365
Teaching assistants	-	2,520	2,520	-	-	2,520
Landscaping	-	3,358	3,358	-	-	3,358
In-kind donations, other:						
H'Artful of fun	-	-	-	-	52,463	52,463
Supplies	-	2,058	2,058	-	-	2,058
Total expenses	\$ 2,761	\$ 313,872	\$ 316,633	\$ 178,197	\$ 89,825	\$ 584,655

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,958	\$ (24,077)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	25,512	28,946
Change in present value of beneficial interest in perpetual trust	(17,214)	(12,840)
Changes in operating assets and liabilities:		
Pledge receivable	47,063	46,919
Prepaid expenses and other assets	(2,041)	(2,868)
Accounts payable	(634)	(328)
Accrued expenses	(1,053)	8,931
Deferred revenue	34,843	909
Other current liabilities	(1,024)	1,233
	<u>89,410</u>	<u>46,825</u>
Cash flows from investing activities:		
Purchase of property and equipment	(58,448)	(22,341)
	<u>(58,448)</u>	<u>(22,341)</u>
Net cash flows used in investing activities	(58,448)	(22,341)
Change in cash and cash equivalents	30,962	24,484
	<u>30,962</u>	<u>24,484</u>
Cash and cash equivalents, beginning of year	151,947	127,463
	<u>151,947</u>	<u>127,463</u>
Cash and cash equivalents, end of year	<u>\$ 182,909</u>	<u>\$ 151,947</u>
Supplemental disclosure of cash flow information:		
Noncash contributions of equipment	<u>\$ -</u>	<u>\$ 2,750</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements

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 recommendation 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.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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, mailing 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.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 reported 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, 2011 and 2010 was \$4,076 and \$5,568, respectively.

NOTE 2 - INVESTMENTS HELD BY OTHERS

Investments held by others are donor designated endowment funds that are 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 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 LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 2 - INVESTMENTS HELD BY OTHERS, CONTINUED

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>2011</u>	<u>2010</u>
Beginning balance	\$ 78,565	\$ 65,725
Change in value of funds held	<u>17,214</u>	<u>12,840</u>
Ending balance	<u>\$ 95,779</u>	<u>\$ 78,565</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, 2011 represent unconditional promises to give as follows:

	<u>2011</u>	<u>2010</u>
Unconditional promises to give	\$ 100,000	\$150,000
Less unamortized discount	<u>(2,536)</u>	<u>(5,473)</u>
Ending balance	<u>\$ 97,464</u>	<u>\$144,527</u>

Pledges receivable are due as follows:

2012	\$ 50,000
2013	<u>50,000</u>
Ending balance	<u>\$ 100,000</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, 2011 was 1.73%. Management feels the pledge will be fully collectible and thus, no allowance for uncollectible pledges has been made.

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

	<u>2011</u>	<u>2010</u>
Beginning balance	\$144,527	\$191,446
Collections	(50,000)	(50,000)
Adjustment for net present value	<u>2,937</u>	<u>3,081</u>
Ending balance	<u>\$ 97,464</u>	<u>\$144,527</u>

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statement, continued

NOTE 4 - LEASES

The Center leases a copier under an operating lease which expires in September 2012. Total equipment rental expense for 2011 and 2010 was \$3,437 and \$3,334, respectively. The minimum lease payment for fiscal year 2012 and 2013 will be \$1,909 and \$477, respectively.

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 has 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 accumulation 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 the Financial Statement, continued

NOTE 5 - ENDOWMENT FUND, CONTINUED

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Endowment <u>Net Assets</u>
Donor-restricted endowment	\$ -	\$ -	\$ 1,425	\$ 1,425
Board-designated	<u>-</u>	<u>-</u>	<u>94,354</u>	<u>94,354</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,779</u>	<u>\$ 95,779</u>

Changes in endowment net assets during the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Endowment <u>Net Assets</u>
Endowment fund, beginning of year	\$ -	\$ -	\$ 78,565	\$ 78,565
Change in funds held in trust held by others	<u>-</u>	<u>-</u>	<u>17,214</u>	<u>17,214</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,779</u>	<u>\$ 95,779</u>

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

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

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statement, continued

NOTE 5 - ENDOWMENT FUND, CONTINUED

Changes in endowment net assets during the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment fund, beginning of year	\$ -	\$ -	\$ 65,735	\$ 65,735
Change in funds held in trust held by others	-	-	12,840	12,840
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,565</u>	<u>\$ 78,565</u>

NOTE 6 - NET ASSET CLASSIFICATION

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

	<u>2011</u>	<u>2010</u>
Development director	\$ 157,120	\$ 207,468
Science Explorer program	-	9,130
Technology upgrades	-	2,000
Capital campaign	2,373	-
Other	-	2,496
Total	<u>\$ 159,493</u>	<u>\$ 221,094</u>

Permanently restricted net assets, which were \$95,779 and \$78,565 as of June 30, 2011 and 2010, respectively, 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 was \$3,720 for each of the years ended June 30, 2011 and 2010.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statement, continued

NOTE 7 - DONATED SERVICES, CONTINUED

The Center received donated services for hosting a fundraising auction. The amount recognized for these services was \$ 13,000 for each of the years ended June 30, 2011 and 2010.

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 ended June 30, 2011 and 2010 was \$ 4,242 and \$ 3,365, 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 ended June 30, 2011 and 2010.

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 \$6,500 and \$5,900 for the years ended June 30, 2011 and 2010, respectively.

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, which, at times, may exceed the coverage provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2011, the Center had no uninsured balances.

As of June 30, 2011 and 2010, all promises to give were due from one donor.

For the year ended June 30, 2011, approximately 41% of all contributions, not including in-kind contributions, were received from three donors.

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

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statement, continued

NOTE 10 - RELATED PARTY TRANSACTIONS

Members of the Board of Directors have contributed their financial support and volunteered time to the Center. The financial contributions are included in revenue in the statement of activities.

NOTE 11 - SUBSEQUENT EVENTS

The Center's management has evaluated events and transactions occurring after the balance sheet date for recognition and disclosure in the accompanying financial statements through December 29, 2011, the date which the financial statements were available to be issued. Subsequent to year-end, the Center launched a \$5 million capital campaign to renovate and expand its facilities. As of the date of this report, the Center has been approved for approximately \$90,000 in grants and has received approximately \$210,000 in contributions and pledges. The Center has been awarded a \$1 million matching grant. The Center has entered into an agreement for architectural services related to the capital campaign in the amount of \$337,500. As of June 30, 2011, \$33,750 of this amount had been paid.