

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

Financial Statements

*Years Ended June 30, 2012 and 2011
with Independent Auditors' Report Thereon*

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MURRAY & ASSOCIATES, LLC

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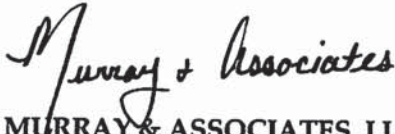
Independent Auditors' Report

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, 2012 and 2011, 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 audit.

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 our audits 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



MURRAY & ASSOCIATES, LLC

Winchester, Kentucky

December 12, 2012

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THE LIVING ARTS AND SCIENCE CENTER, INC.

Statements of Financial Position

June 30, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 230,420	\$ 182,909
Pledge receivable, net	88,810	97,464
Prepaid expenses and other assets	<u>7,913</u>	<u>5,965</u>
Total current assets	327,143	286,338
Investments held by others	94,456	95,779
Property and equipment:		
Land	145,000	145,000
Construction in progress	88,847	51,985
Office equipment	22,547	58,635
Program equipment	65,804	65,804
Buildings	<u>786,774</u>	<u>783,472</u>
	1,108,972	1,104,896
Accumulated depreciation	<u>(564,039)</u>	<u>(575,071)</u>
Property and equipment, net	<u>544,933</u>	<u>529,825</u>
Total assets	<u><u>\$ 966,532</u></u>	<u><u>\$ 911,942</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 9,246	\$ 2,185
Accrued expenses	25,813	32,889
Deferred revenue	<u>26,561</u>	<u>40,367</u>
Total current liabilities	61,620	75,441
Net assets:		
Unrestricted	591,512	581,229
Temporarily restricted	218,944	159,493
Permanently restricted	<u>94,456</u>	<u>95,779</u>
Total net assets	<u>904,912</u>	<u>836,501</u>
Total liabilities and net assets	<u><u>\$ 966,532</u></u>	<u><u>\$ 911,942</u></u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Art exhibit sales	\$ 2,092	\$ -	\$ -	\$ 2,092
Contributions	26,372	157,485	-	183,857
Fund for the Arts	93,500	-	-	93,500
Grants	106,647	-	-	106,647
H'Artful of Fun, net of expense	74,839	-	-	74,839
In-kind contributions	9,903	-	-	9,903
Interest income	128	-	-	128
Membership fees	8,915	-	-	8,915
Miscellaneous	2,803	-	-	2,803
Pledges, amortization	1,301	-	-	1,301
Science tours and retail shop	41,154	-	-	41,154
Tuition	90,128	-	-	90,128
Change in present value of beneficial interest in perpetual trust	-	-	(1,323)	(1,323)
Net assets released from restriction	98,034	(98,034)	-	-
Total revenue	555,816	59,451	(1,323)	613,944
Expenses:				
Program expenses	351,183	-	-	351,183
General and administration	122,899	-	-	122,899
Fundraising	71,451	-	-	71,451
Total expenses	545,533	-	-	545,533
Change in net assets	10,283	59,451	(1,323)	68,411
Net assets, beginning of year	581,229	159,493	95,779	836,501
Net assets, end of year	<u>\$ 591,512</u>	<u>\$ 218,944</u>	<u>\$ 94,456</u>	<u>\$ 904,912</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Art exhibit sales	\$ 2,714	\$ -	\$ -	\$ 2,714
Contributions	27,678	54,325	-	82,003
Fund for the Arts	103,775	-	-	103,775
Grants	134,834	-	-	134,834
H'Artful of Fun, net of expense	64,076	-	-	64,076
In-kind contributions	13,627	-	-	13,627
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	115,926	(115,926)	-	-
Total revenue	602,582	(61,601)	17,214	558,195
Expenses:				
Program expenses	389,443	-	-	389,443
General and administration	103,383	-	-	103,383
Fundraising	61,411	-	-	61,411
Total expenses	554,237	-	-	554,237
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	<u>\$ 581,229</u>	<u>\$ 159,493</u>	<u>\$ 95,779</u>	<u>\$ 836,501</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2012

	<u>Science and Art Classes</u>	<u>General and Admin</u>	<u>Fundraising</u>	<u>Total</u>
Art exhibit	\$ 3,023	\$ -	\$ -	\$ 3,023
Bank and investment fees	-	245	-	245
Benefits	14,000	6,277	3,924	24,201
Commissions	1,197	-	-	1,197
Contractual labor	1,500	-	-	1,500
Credit card fees	-	4,685	-	4,685
Depreciation	23,553	1,002	501	25,056
Dues and subscriptions	-	1,018	-	1,018
Equipment rent	3,994	409	-	4,403
Hospitality	-	2,020	-	2,020
Insurance	8,628	367	184	9,179
Miscellaneous	2,205	387	-	2,592
Payroll taxes	16,750	7,509	4,695	28,954
Postage	3,604	901	-	4,505
Printing	9,608	1,068	-	10,676
Professional services	2,903	4,900	1,608	9,411
Promotional	-	-	5,417	5,417
Repairs and maintenance	6,968	297	148	7,413
Retail shop	459	-	-	459
Salaries and wages	193,254	86,640	54,168	334,062
Science explorers	8,555	-	-	8,555
Security	-	1,348	-	1,348
Storage rental	-	1,058	-	1,058
Supplies	25,674	1,093	546	27,313
Telephone	2,692	1,154	-	3,846
Utilities	12,233	521	260	13,014
Website	480	-	-	480
In-kind donations:				
Guest speakers	1,200	-	-	1,200
Teaching assistants	1,960	-	-	1,960
Landscaping	4,242	-	-	4,242
Supplies	2,501	-	-	2,501
Total expenses	<u>\$ 351,183</u>	<u>\$ 122,899</u>	<u>\$ 71,451</u>	<u>\$ 545,533</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2011

	Science and Art Classes	General and Admin	Fundraising	Total
Art exhibit	\$ 1,835	\$ -	\$ -	\$ 1,835
Bank and investment fees	-	595	-	595
Benefits	18,572	5,596	3,680	27,848
Commissions	1,549	-	-	1,549
Contractual labor	-	120	-	120
Credit card fees	-	3,442	-	3,442
Depreciation	23,981	1,020	511	25,512
Dues and subscriptions	-	924	-	924
Equipment rent	3,148	344	-	3,492
Hospitality	-	4,025	-	4,025
Insurance	8,875	378	-	9,253
Miscellaneous	1,704	-	188	1,892
Payroll taxes	17,798	5,363	3,526	26,687
Postage	4,924	1,231	-	6,155
Printing	12,106	1,345	-	13,451
Professional services	2,454	5,700	3,605	11,759
Promotional	-	-	4,076	4,076
Repairs and maintenance	4,481	191	95	4,767
Retail shop	1,336	-	-	1,336
Salaries and wages	227,099	68,426	45,000	340,525
Science explorers	9,340	-	-	9,340
Security	-	1,443	-	1,443
Storage rental	-	934	-	934
Supplies	21,787	927	464	23,178
Telephone	1,979	848	-	2,827
Utilities	12,470	531	266	13,267
Website	378	-	-	378
In-kind donations:				-
Guest speakers	1,200	-	-	1,200
Teaching assistance	2,520	-	-	2,520
Landscaping	4,242	-	-	4,242
Supplies	5,665	-	-	5,665
Total expenses	\$ 389,443	\$ 103,383	\$ 61,411	\$ 554,237

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 68,411	\$ 3,958
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	25,056	25,512
Amortization of pledges receivable	(1,301)	(2,937)
Change in present value of beneficial interest in perpetual trust	1,323	(17,214)
Changes in operating assets and liabilities:		
Pledge receivable	9,955	50,000
Prepaid expenses and other assets	(1,948)	(2,041)
Accounts payable	7,061	(634)
Accrued expenses	(7,076)	(2,077)
Deferred revenue	(13,806)	34,843
	87,675	89,410
Cash flows from investing activities:		
Purchase of property and equipment	(40,164)	(58,448)
	(40,164)	(58,448)
Change in cash and cash equivalents	47,511	30,962
Cash and cash equivalents, beginning of year	182,909	151,947
Cash and cash equivalents, end of year	\$ 230,420	\$ 182,909

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 exempt from federal and state income taxes, except for tax on unrelated business income. Management is not aware of any unrelated business income for the years ended June 30, 2012 and 2011. 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. If a restriction is fulfilled in the same period in which the contribution is received, the Center reports that support as unrestricted.

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, 2012 and 2011 was \$5,417 and \$4,076, respectively.

Reclassifications

Certain 2011 amounts have been reclassified to conform with 2012 financial statement presentation with no impact on total assets, liabilities, net assets or change in net assets.

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.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 2 - INVESTMENTS HELD BY OTHERS, CONTINUED

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>2012</u>	<u>2011</u>
Beginning balance	\$ 95,779	\$ 78,565
Change in value of funds held by others	<u>(1,323)</u>	<u>17,214</u>
Ending balance	<u>\$ 94,456</u>	<u>\$ 95,779</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. During fiscal 2012, the Center received pledges for its capital campaign. Pledges receivable at June 30, 2011 represent unconditional promises to give as follows:

	<u>2012</u>	<u>2011</u>
Unconditional promises to give	\$ 90,045	\$ 100,000
Less unamortized discount	<u>(1,235)</u>	<u>(2,536)</u>
Ending balance	<u>\$ 88,810</u>	<u>\$ 97,464</u>

Pledges receivable are due as follows:

2013	\$ 76,613
2014	12,953
2015	<u>479</u>
Ending balance	<u>\$ 90,045</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, 2012 and 2011 was .72% and 1.73%, respectively. Management feels the pledges will be fully collectible and therefore, no allowance for uncollectible pledges has been made.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 3 - PLEDGES RECEIVABLE, CONTINUED

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

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 97,464	\$ 144,527
Additions	61,194	-
Collections	(71,149)	(50,000)
Adjustment for net present value	<u>1,301</u>	<u>2,937</u>
Ending balance	<u>\$ 88,810</u>	<u>\$ 97,464</u>

NOTE 4 - LEASES

The Center leases a copier under an operating lease. Total rent expense for the copier was \$4,087 and \$3,437 for the years ended June 30, 2012 and 2011, respectively. Future minimum lease payments are \$150 per month through November 2016.

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*, which provides for improved disclosures about an organization's endowment funds. The Center also follows the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was adopted by the commonwealth of Kentucky 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.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 5 - ENDOWMENT FUND, CONTINUED

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.

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment	\$ -	\$ -	\$ 1,425	\$ 1,425
Board-designated endowment	-	-	93,031	93,031
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,456</u>	<u>\$ 94,456</u>

Changes in endowment net assets during the year ended June 30, 2012 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	\$ -	\$ -	\$ 95,779	\$ 95,779
Change in funds held by others	-	-	(1,323)	(1,323)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,456</u>	<u>\$ 94,456</u>

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

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

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 5 - ENDOWMENT FUND, CONTINUED

Changes in endowment net assets during the year ended June 30, 2011 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	\$ -	\$ -	\$ 78,565	\$ 78,565
Change in funds held by others	-	-	17,214	17,214
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,779</u>	<u>\$ 95,779</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>2012</u>	<u>2011</u>
Development director	\$ 117,631	\$ 157,120
Capital campaign	101,313	2,373
Total	<u>\$ 218,944</u>	<u>\$ 159,493</u>

Permanently restricted net assets, which were \$94,456 and \$95,779 as of June 30, 2012 and 2011, respectively, are 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 \$3,160 and \$3,720 for the years ended June 30, 2012 and 2011.

The Center received donated services for hosting a fundraising auction. The amount recognized for these services was \$23,000 and \$13,000 for the years ended June 30, 2012 and 2011, respectively.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 7 - DONATED SERVICES, CONTINUED

Various professional organizations contributed in-kind 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 was \$4,242 for each of the years ended June 30, 2012 and 2011.

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, 2012 and 2011.

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 \$5,400 and \$6,500 for the years ended June 30, 2012 and 2011, 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, 2012, the Center had no uninsured balances.

As of June 30, 2012, 55% of all promises to give were due from one donor. As of June 30, 2011, 100% of all promises to give were due from one donor.

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.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements, continued

NOTE 11 - CAPITAL CAMPAIGN

During fiscal 2012, the Center launched a \$5 million capital campaign to renovate and expand its facilities. As of the date of this report, the Center has received approximately \$900,000 in pledges, contributions and grants, towards a \$1 million matching grant award. During 2011, the Center entered into an agreement for architectural services related to the capital campaign project in the amount of \$337,500. Amounts paid under this contract totaled \$71,300 and \$33,750 for the years ended June 30, 2012 and 2011, respectively. Subsequent to year-end, the Center entered into an agreement for construction management services related to this project with minimum commitments totaling \$205,000.

NOTE 12 - 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 12, 2012, the date which the financial statements were available to be issued. Except as described in Note 11, there were no events occurring during the evaluation period that require disclosure or recognition in the financial statements.