


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

**Financial Statements**

*Years Ended June 30, 2014 and 2013  
with Independent Auditors' Report Thereon*

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THE LIVING ARTS AND SCIENCE CENTER, INC.

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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

### Report on the Financial Statements

We have audited the accompanying financial statements of The Living Arts and Science Center, Inc. (the Center), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, 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 the 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 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 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.

Board of Directors  
The Living Arts and Science Center, Inc.  
Independent Auditors' Report, 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 The Living Arts and Science Center, Inc. as of June 30, 2014 and 2013, 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.

*Murray Petrey*

Murray Petrey, PLLC  
Winchester, Kentucky  
January 8, 2015

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

Statements of Financial Position

June 30, 2014 and 2013

<b>Assets</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Current assets:		
Cash and cash equivalents	\$ 2,071,384	\$ 1,373,772
Certificates of deposit	1,154,572	1,000,000
Pledges receivable, net	621,263	398,390
Other current assets	18,821	4,790
Total current assets	3,866,040	2,776,952
Beneficial interest in assets held by others	161,332	111,947
Property and equipment, net	786,331	629,978
Total assets	\$ 4,813,703	\$ 3,518,877
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 12,128	\$ -
Accrued expenses	42,901	40,302
Deferred revenue	43,569	24,938
Total current liabilities	98,598	65,240
Net assets:		
Unrestricted	1,826,191	1,713,457
Temporarily restricted	2,727,582	1,628,233
Permanently restricted	161,332	111,947
Total net assets	4,715,105	3,453,637
Total liabilities and net assets	\$ 4,813,703	\$ 3,518,877

*See accompanying notes.*

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and other support:</b>				
Contributions	\$ 42,327	\$ 1,269,092	\$ 30,688	\$ 1,342,107
Grants	152,590	-	-	152,590
Fund for the Arts	102,000	-	-	102,000
Tuition	87,374	-	-	87,374
H'Artful of Fun, net of expense	60,247	-	-	60,247
Science tours and retail shop	46,778	-	-	46,778
Change in beneficial interest in assets held by others	-	-	18,697	18,697
In-kind contributions	25,834	-	-	25,834
Membership fees	9,345	-	-	9,345
Other income	6,306	-	-	6,306
Interest income	7,392	-	-	7,392
Net assets released from restriction	169,743	(169,743)	-	-
<b>Total revenues and other support</b>	<b>709,936</b>	<b>1,099,349</b>	<b>49,385</b>	<b>1,858,670</b>
<b>Expenses:</b>				
Program expenses	410,419	-	-	410,419
General and administration	105,998	-	-	105,998
Fundraising	80,785	-	-	80,785
<b>Total expenses</b>	<b>597,202</b>	<b>-</b>	<b>-</b>	<b>597,202</b>
<b>Change in net assets</b>	<b>112,734</b>	<b>1,099,349</b>	<b>49,385</b>	<b>1,261,468</b>
Net assets, beginning of year	1,713,457	1,628,233	111,947	3,453,637
Net assets, end of year	<u>\$ 1,826,191</u>	<u>\$ 2,727,582</u>	<u>\$ 161,332</u>	<u>\$ 4,715,105</u>

See accompanying notes.

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

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and other support:</b>				
Contributions	\$ 21,851	\$ 1,623,944	\$ 7,461	\$ 1,653,256
Grants	1,144,232	-	-	1,144,232
Fund for the Arts	110,500	-	-	110,500
Tuition	99,177	-	-	99,177
H'Artful of Fun, net of expense	53,548	-	-	53,548
Science tours and retail shop	42,453	-	-	42,453
Change in beneficial interest in assets held by others	-	-	10,030	10,030
In-kind contributions	11,772	-	-	11,772
Membership fees	9,810	-	-	9,810
Other income	4,662	-	-	4,662
Interest income	105	-	-	105
Net assets released from restriction	214,655	(214,655)	-	-
<b>Total revenues and other support</b>	<b>1,712,765</b>	<b>1,409,289</b>	<b>17,491</b>	<b>3,139,545</b>
<b>Expenses:</b>				
Program expenses	391,897	-	-	391,897
General and administration	112,577	-	-	112,577
Fundraising	86,346	-	-	86,346
<b>Total expenses</b>	<b>590,820</b>	<b>-</b>	<b>-</b>	<b>590,820</b>
<b>Change in net assets</b>	<b>1,121,945</b>	<b>1,409,289</b>	<b>17,491</b>	<b>2,548,725</b>
Net assets, beginning of year	591,512	218,944	94,456	904,912
<b>Net assets, end of year</b>	<b>\$ 1,713,457</b>	<b>\$ 1,628,233</b>	<b>\$ 111,947</b>	<b>\$ 3,453,637</b>

*See accompanying notes.*

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

	<b>Science and Art Classes</b>	<b>General and Admin</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 222,279	\$ 66,845	\$ 54,698	\$ 343,822
Benefits	28,366	8,530	6,980	43,876
Payroll taxes	21,506	6,467	5,293	33,266
Depreciation	24,141	1,027	514	25,682
Supplies	13,154	2,751	6,960	22,865
Science explorers	20,908	-	-	20,908
Insurance	18,007	767	383	19,157
Utilities	12,970	552	276	13,798
Printing	9,240	1,733	577	11,550
Professional services	2,500	7,036	-	9,536
Repairs and maintenance	6,873	292	146	7,311
Credit card fees	-	5,454	-	5,454
Art exhibit	4,974	-	-	4,974
Equipment rent	3,466	650	217	4,333
Postage	3,423	642	214	4,279
Promotional	-	-	4,169	4,169
Miscellaneous	2,353	824	-	3,177
Telephone	2,397	449	150	2,996
Travel	2,416	-	-	2,416
Dues and subscriptions	1,395	262	87	1,744
Hospitality	1,386	260	87	1,733
Security	1,619	69	34	1,722
Storage rental	-	1,388	-	1,388
Commissions	1,047	-	-	1,047
Contractual labor	550	-	-	550
Retail shop	207	-	-	207
In-kind donations:				
Supplies	-	-	-	-
Landscaping	4,242	-	-	4,242
Guest speakers	1,000	-	-	1,000
Total expenses	<u>\$ 410,419</u>	<u>\$ 105,998</u>	<u>\$ 80,785</u>	<u>\$ 597,202</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2013

	<u>Science and Art Classes</u>	<u>General and Admin</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 219,844	\$ 75,070	\$ 55,524	\$ 350,438
Benefits	24,810	8,164	6,038	39,012
Payroll taxes	22,933	7,546	5,582	36,061
Depreciation	23,793	1,012	506	25,311
Supplies	11,691	2,389	10,811	24,891
Science explorers	16,524	-	-	16,524
Insurance	13,020	554	277	13,851
Utilities	10,120	431	215	10,766
Printing	9,127	-	1,391	10,518
Professional services	2,575	4,900	2,642	10,117
Repairs and maintenance	3,212	137	68	3,417
Credit card fees	-	3,439	958	4,397
Art exhibit	3,037	-	-	3,037
Equipment rent	2,270	302	1,369	3,941
Postage	2,837	718	491	4,046
Promotional	5,459	-	474	5,933
Miscellaneous	3,203	818	-	4,021
Telephone	2,086	894	-	2,980
Travel	-	-	-	-
Dues and subscriptions	784	602	-	1,386
Hospitality	-	2,490	-	2,490
Security	-	1,613	-	1,613
Storage rental	-	1,498	-	1,498
Commissions	745	-	-	745
Contractual labor	-	-	-	-
Retail shop	2,055	-	-	2,055
In-kind donations:				
Supplies	6,530	-	-	6,530
Landscaping	4,242	-	-	4,242
Guest speakers	1,000	-	-	1,000
Total expenses	<u>\$ 391,897</u>	<u>\$ 112,577</u>	<u>\$ 86,346</u>	<u>\$ 590,820</u>

See accompanying notes.

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

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,261,468	\$ 2,548,725
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	25,682	25,311
Amortization of pledges receivable	(5,520)	(1,009)
Permanently restricted contributions	(30,688)	(7,461)
Change in beneficial interest in assets held by others	(18,697)	(10,030)
Contribution of property and equipment	(20,592)	-
Changes in operating assets and liabilities:		
Pledges receivable	(217,353)	(308,571)
Other current assets	(14,031)	3,123
Accounts payable	12,128	(9,246)
Accrued expenses	2,599	14,489
Deferred revenue	18,631	(1,623)
	1,013,627	2,253,708
<b>Cash flows from investing activities:</b>		
Purchase of certificates of deposit	(154,572)	(1,000,000)
Purchase of property and equipment	(161,443)	(110,356)
	(316,015)	(1,110,356)
Net cash flows used in investing activities	(316,015)	(1,110,356)
Net increase in cash and cash equivalents	697,612	1,143,352
Cash and cash equivalents, beginning of year	1,373,772	230,420
Cash and cash equivalents, end of year	\$ 2,071,384	\$ 1,373,772

*See accompanying notes.*

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### NOTE 1 – NATURE OF ACTIVITIES

The Living Arts and Science Center, Inc. (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 its 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, tuitions, membership fees, and science tours.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

##### Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities. 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 based on the existence or absence of donor-imposed restrictions.

##### Fair Value Measurements

The Center follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities, and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-tier hierarchy to classify fair market measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### Fair Value Measurements, continued

The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 – Quoted prices in active markets for identical assets
- Level 2 – Other significant observable inputs (including quoted prices for similar assets, interest rates, prepayment speeds, and credit risk)
- Level 3 – Significant unobservable inputs (including the Center's own assumptions in determining the fair value of assets)

##### Financial Instruments

Financial instruments included in the Center's statements of financial position include cash and cash equivalents, certificates of deposit, pledges receivable, beneficial interest in assets held by others, accounts payable and accrued expenses. The carrying value of cash and cash equivalents, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments. Certificates of deposit are measured at fair value on a recurring basis using Level 2 inputs. Pledges receivable and beneficial interest in assets held by others are measured at fair value on a recurring basis using Level 3 inputs.

##### Cash Equivalents

The Center considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

##### Pledges Receivable

Pledges receivable are unconditional promises to give that are expected to be collected in future years and are recorded at the present value of estimated future cash flows (Level 3). The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Management considers pledges receivable to be fully collectible and therefore no allowance for uncollectible pledges has been recorded.

##### Beneficial Interest in Assets Held by Others

The Center has a beneficial interest in investments held in an endowment fund by the Blue Grass Community Foundation, which consists of funds contributed by the Center and donors, and includes earnings thereon, net of distributions and fees.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements

**NOTE 2 – 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.

Revenue Recognition

In accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, 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.

Conditional pledges are recognized as receivable only to the extent the condition has been satisfied. Grant awards which are considered to be exchange transactions are recognized as grant revenue as the expenses stipulated in the grant agreement have been incurred. Tour fees and class tuition is recognized in the period the events take place. Membership dues are recognized as revenue in the applicable membership period. Prepayments of fees and dues are reported as deferred revenue.

In-Kind Contributions

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.

Advertising

The Center uses advertising to promote its programs in the community it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2014 and 2013 was \$4,169 and \$5,933, respectively.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**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, 2014 and 2013. Accordingly, no income tax expense is reflected in the accompanying financial statements.

In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, the Center's management has evaluated tax positions taken on all income tax returns that remain open to examination by the respective taxing authorities and does not believe there are any uncertain tax positions on those returns that require recognition or disclosure in the financial statements. The federal information returns are subject to examination by the IRS generally for three years after the statutory due date of the returns.

**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 administration, and fundraising.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation. These reclassifications had no effect on previously reported change in net assets.

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable include unconditional promises to give that have been discounted at rates ranging from .72% to 1.62%. The following is a summary of the Center's pledges receivable as of June 30:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give	\$ 636,887	\$ 406,794
Less unamortized discount	<u>( 15,624)</u>	<u>( 8,404)</u>
	<u>\$ 621,263</u>	<u>\$ 398,390</u>

THE LIVING ARTS AND SCIENCE CENTER, INC.

Notes to the Financial Statements

**NOTE 3 – PLEDGES RECEIVABLE, CONTINUED**

Pledges receivable are due as follows for years ended June 30:

2015	\$ 313,287
2016	281,200
2017	21,200
2018	<u>21,200</u>
	<u>\$ 636,887</u>

Presented below is a reconciliation of activity for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 398,390	\$ 88,810
Additions	533,333	382,933
Collections	(303,240)	(66,184)
Adjustment for net present value	<u>(7,220)</u>	<u>(7,169)</u>
Ending balance	<u>\$ 621,263</u>	<u>\$ 398,390</u>

**NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The Center has entered into an irrevocable agreement with the Blue Grass Community Foundation (BGCF), to establish an agency endowment fund (the Fund) for charitable and educational purposes. The Center is named as the beneficiary of the Fund in this agreement. The BGCF maintains variance power and legal ownership. Distribution of Fund earnings are at the discretion of BGCF's Board of Directors and the funds are invested in accordance with the BGCF's investment policies. In accordance with ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the BGCF includes the Fund as assets of the BGCF in its financial statements and reports a corresponding liability for the amounts attributable to the Center.

The Center utilizes fair value measurements to record fair value adjustments to beneficial interest in assets held by the BGCF and to determine fair value disclosures. The Center is allocated its portion of the total fair values of the underlying securities held by the BGCF (Level 3). The majority of the 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

**NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS, CONTINUED**

The following table sets forth a summary of changes in the fair value of assets held by the BGCF as of June 30:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 111,947	\$ 94,456
Contributions	30,688	7,461
Investment income	19,359	12,588
Distributions	-	(1,990)
Fees	(662)	(568)
Ending balance	<u>\$ 161,332</u>	<u>\$ 111,947</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Buildings	\$ 786,774	\$ 786,774
Land	145,000	145,000
Program equipment	32,810	27,777
Office equipment	11,772	11,772
Vehicles	20,592	-
Construction in progress	355,614	199,204
	<u>1,352,562</u>	<u>1,170,527</u>
Less accumulated depreciation	(566,231)	(540,549)
	<u>\$ 786,331</u>	<u>\$ 629,978</u>

**NOTE 6 – ENDOWMENT FUND**

The Center has adopted the enhanced disclosure provisions of 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 fund consists of investments held by the BGCF (Note 4) and includes contributions from donors and from the Center as designated by the Board of Directors. For accounting and financial statement purposes, the Center classifies the value of assets held by the BGCF as permanently restricted net assets.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### NOTE 6 – ENDOWMENT FUND, CONTINUED

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, relies upon the actions, reports, information, advice and counsel from its third-party trustee, the BGCF. The BGCF's investment policies are available on the BGCF website.

#### NOTE 7 – 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>2014</u>	<u>2013</u>
Capital campaign	\$ 2,727,582	\$ 1,614,900
Development	-	13,333
	<u>\$ 2,727,582</u>	<u>\$ 1,628,233</u>

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes as follows:

	<u>2014</u>	<u>2013</u>
Architecture services	105,145	87,200
Construction services	23,595	23,157
Planetarium	27,670	-
Development expense	13,333	104,298
	<u>\$ 169,743</u>	<u>\$ 214,655</u>

Permanently restricted net assets consist of a beneficial interest in assets held by others and totaled \$161,332 and \$111,947 as of June 30, 2014 and 2013, respectively.

#### NOTE 8 – LEASES

The Center leases a copier under an operating lease. Total rent expense for the copier was \$3,772 and \$3,016 for the years ended June 30, 2014 and 2013, respectively. Future minimum lease payments are \$150 per month through November 2016.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### **NOTE 9 – DONATED SERVICES**

Various individuals and organizations donated services to the Center. The excess of the fair value of services over the amount paid by the Center has been recognized as revenue and expense in the period the service was provided. The total recognized for guest speaking services was \$1,000 for each of the years ended June 30, 2014 and 2013. The total recognized for maintenance services was \$4,242 for each of the years ended June 30, 2014 and 2013. The Center also recognized \$8,350 and \$3,060 in donated services for a fundraising event during the years ended June 30, 2014 and 2013, respectively.

#### **NOTE 10 – 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 matches employee contributions up to three percent of an employee's salary. Retirement expense for the Center was approximately \$7,700 and \$6,500 for the years ended June 30, 2014 and 2013, respectively.

#### **NOTE 11 – 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, are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of June 30, 2014, cash deposits exceeded FDIC limits by \$716,590. The Center has not experienced any losses on such accounts and does not believe it is exposed to any significant credit risk related to its cash accounts.

As of June 30, 2014 and 2013, respectively, 91% and 86% of all promises to give were due from two donors.

#### **NOTE 12 – 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

#### **NOTE 13 – 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 \$4.5 million in pledges, contributions and grants for this campaign. Included in this total is a \$500,000 promise to give that was received subsequent to year-end. During 2012, 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 \$105,145 and \$155,351 for the years ended June 30, 2014 and 2013, respectively. During 2013, the Center entered into an agreement with a general contractor for construction management services related to this project with minimum commitments totaling \$205,000. Amounts paid under this contract totaled \$17,760 for the year ended June 30, 2014. In April 2014, the Center entered into a construction contract with this general contractor totaling \$4,303,232 for the renovation and expansion project. No amounts were paid under this contract during the year ended June 30, 2014.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The Center's management has evaluated subsequent events for accounting and disclosure requirements through January 8, 2015, the date which the financial statements were available to be issued. Except as described in Note 13, there were no events occurring during the evaluation period that require disclosure or recognition in the financial statements.