

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

Financial Statements

*Years Ended June 30, 2015 and 2014
with Independent Auditors' Report Thereon*

THE LIVING ARTS AND SCIENCE CENTER, INC.

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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, 2015 and 2014, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Murray Petrey". The signature is written in a cursive, flowing style.

Murray Petrey, PLLC
Winchester, Kentucky
February 25, 2016

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statements of Financial Position

June 30, 2015 and 2014

Assets	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,260,641	\$ 2,071,384
Certificates of deposit	1,004,022	1,154,572
Pledges receivable, net	692,826	621,263
Other current assets	14,895	18,821
Total current assets	2,972,384	3,866,040
Beneficial interest in assets held by others	164,879	161,332
Property and equipment, net	2,636,546	786,331
Total assets	\$ 5,773,809	\$ 4,813,703
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 408,684	\$ 12,128
Accrued expenses	33,564	42,901
Deferred revenue	29,276	43,569
Total current liabilities	471,524	98,598
Net assets:		
Unrestricted	3,696,776	1,826,191
Temporarily restricted	1,440,630	2,727,582
Permanently restricted	164,879	161,332
Total net assets	5,302,285	4,715,105
Total liabilities and net assets	\$ 5,773,809	\$ 4,813,703

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Contributions	\$ 67,272	\$ 578,049	\$ 8,305	\$ 653,626
Grants	127,866	15,000	-	142,866
Fund for the Arts	107,500	-	-	107,500
Tuition	96,326	-	-	96,326
H'Artful of Fun, net of expense	79,837	-	-	79,837
Science tours and retail shop	61,811	-	-	61,811
Change in beneficial interest in assets held by others	-	-	(4,758)	(4,758)
In-kind contributions	5,006	-	-	5,006
Membership fees	11,441	-	-	11,441
Other income	8,156	-	-	8,156
Interest income	7,177	-	-	7,177
Net assets released from restriction	1,880,001	(1,880,001)	-	-
Total revenues and other support	2,452,393	(1,286,952)	3,547	1,168,988
Expenses:				
Program expenses	405,222	-	-	405,222
General and administration	108,453	-	-	108,453
Fundraising	68,133	-	-	68,133
Total expenses	581,808	-	-	581,808
Change in net assets	1,870,585	(1,286,952)	3,547	587,180
Net assets, beginning of year	1,826,191	2,727,582	161,332	4,715,105
Net assets, end of year	\$ 3,696,776	\$ 1,440,630	\$ 164,879	\$ 5,302,285

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
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)	-	-
Total revenues and other support	709,936	1,099,349	49,385	1,858,670
Expenses:				
Program expenses	410,159	-	-	410,159
General and administration	112,026	-	-	112,026
Fundraising	75,017	-	-	75,017
Total expenses	597,202	-	-	597,202
Change in net assets	112,734	1,099,349	49,385	1,261,468
Net assets, beginning of year	1,713,457	1,628,233	111,947	3,453,637
Net assets, end of year	\$ 1,826,191	\$ 2,727,582	\$ 161,332	\$ 4,715,105

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2015

	Science and Art Classes	General and Admin	Fundraising	Total
Salaries and wages	\$ 239,426	\$ 78,825	\$ 51,692	\$ 369,943
Payroll taxes	21,596	7,110	4,663	33,369
Depreciation	27,999	1,191	596	29,786
Supplies	18,589	1,995	3,645	24,229
Science explorers	17,456	-	-	17,456
Insurance	13,768	586	293	14,647
Utilities	11,748	500	250	12,498
Printing	9,966	1,869	623	12,458
Benefits	6,911	2,275	1,492	10,678
Professional services	4,776	5,100	-	9,876
Repairs and maintenance	3,245	138	69	3,452
Credit card and bank fees	-	5,192	-	5,192
Art exhibit	3,752	-	-	3,752
Equipment rent	3,179	596	199	3,974
Postage	2,985	560	186	3,731
Advertising and website	440	-	4,078	4,518
Miscellaneous	2,567	-	-	2,567
Telephone	2,444	458	153	3,055
Travel	2,346	-	-	2,346
Dues and subscriptions	1,202	225	75	1,502
Hospitality	1,230	231	77	1,538
Security	1,978	84	42	2,104
Storage rental	-	1,518	-	1,518
Commissions	-	-	-	-
Contractual labor	200	-	-	200
Retail shop	2,413	-	-	2,413
In-kind donations:				
Supplies	600	-	-	600
Landscaping	3,356	-	-	3,356
Guest speakers	1,050	-	-	1,050
Total expenses	<u>\$ 405,222</u>	<u>\$ 108,453</u>	<u>\$ 68,133</u>	<u>\$ 581,808</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

	Science and Art Classes	General and Admin	Fundraising	Total
Salaries and wages	\$ 242,990	\$ 78,530	\$ 54,698	\$ 376,218
Payroll taxes	21,486	6,944	4,836	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
Benefits	7,415	2,396	1,669	11,480
Professional services	2,500	7,036	-	9,536
Repairs and maintenance	6,873	292	146	7,311
Credit card and bank 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
Advertising and website	-	-	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>\$ 410,159</u>	<u>\$ 112,026</u>	<u>\$ 75,017</u>	<u>\$ 597,202</u>

See accompanying notes.

THE LIVING ARTS AND SCIENCE CENTER, INC.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 587,180	\$ 1,261,468
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	29,786	25,682
Contributions to endowment fund	(8,305)	(30,688)
Amortization of pledges receivable	(9,507)	(5,520)
Change in beneficial interest in assets held by others	4,758	(18,697)
Contribution of property and equipment	-	(20,592)
Changes in operating assets and liabilities:		
Pledges receivable	(62,056)	(217,353)
Other current assets	3,926	(14,031)
Accounts payable	(12,128)	-
Accrued expenses	(9,337)	2,599
Deferred revenue	(14,293)	18,631
	510,024	1,001,499
Cash flows from investing activities:		
Change in certificates of deposit	150,550	(154,572)
Purchases of property and equipment	(1,471,317)	(149,315)
	(1,320,767)	(303,887)
Net cash flows used in investing activities	(810,743)	697,612
Net (decrease) increase in cash and cash equivalents	2,071,384	1,373,772
Cash and cash equivalents, beginning of year	2,071,384	1,373,772
Cash and cash equivalents, end of year	\$ 1,260,641	\$ 2,071,384
Supplemental disclosure of cash flow information:		
Noncash investment and financing transactions:		
Purchase of property and equipment through accounts payable	\$ 408,684	\$ 12,128

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 and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include operating cash and all highly liquid investments with original maturities of three months or less.

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, 2015 and 2014 was \$4,078 and \$4,169, 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, 2015 and 2014. 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 1.63%. The following is a summary of the Center's pledges receivable as of June 30:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give	\$ 710,932	\$ 636,887
Less unamortized discount	<u>(18,106)</u>	<u>(15,624)</u>
	<u>\$ 692,826</u>	<u>\$ 621,263</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:

2016	\$ 410,932
2017	155,000
2018	<u>145,000</u>
	<u>\$ 710,932</u>

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

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 621,263	\$ 398,390
Additions	505,725	533,333
Collections	(430,817)	(303,240)
Adjustment for net present value	<u>(3,345)</u>	<u>(7,220)</u>
Ending balance	<u>\$ 692,826</u>	<u>\$ 621,263</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 the 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>2015</u>	<u>2014</u>
Beginning balance	\$ 161,332	\$ 111,947
Contributions	8,305	30,688
Investment (loss) income	(3,944)	19,359
Fees	(814)	(662)
Ending balance	<u>\$ 164,879</u>	<u>\$ 161,332</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 786,774	\$ 786,774
Land	145,000	145,000
Program equipment	32,810	32,810
Office equipment	11,772	11,772
Vehicles	20,592	20,592
Construction in progress	2,235,615	355,614
	<u>3,232,563</u>	<u>1,352,562</u>
Less accumulated depreciation	(596,017)	(566,231)
	<u>\$ 2,636,546</u>	<u>\$ 786,331</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>2015</u>	<u>2014</u>
Capital campaign/construction	\$ 1,426,750	\$ 2,727,582
Discovery exhibit	13,880	-
	<u>\$ 1,440,630</u>	<u>\$ 2,727,582</u>

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

	<u>2015</u>	<u>2014</u>
Capital campaign/construction	\$ 1,878,881	\$ 156,410
Discovery exhibit	1,120	-
Development expense	-	13,333
	<u>\$ 1,880,001</u>	<u>\$ 169,743</u>

Permanently restricted net assets consist of a beneficial interest in assets held by others and totaled \$164,879 and \$161,332 as of June 30, 2015 and 2014, respectively.

NOTE 8 – LEASES

The Center leases a copier under an operating lease. Total rent expense for the copier was \$3,586 and \$3,772 for the years ended June 30, 2015 and 2014, 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 \$1,050 and \$1,000 for the years ended June 30, 2015 and 2014, respectively. The total recognized for maintenance services was \$3,356 and \$4,242 for the years ended June 30, 2015 and 2014, respectively. The Center also recognized \$8,350 in donated services for a fundraising event during each of the years ended June 30, 2015 and 2014.

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 \$8,086 and \$7,708 for the years ended June 30, 2015 and 2014, 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, 2015, cash deposits exceeded FDIC limits by \$1,907. 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, 2015 and 2014, respectively, 88% and 91% 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 \$5.3 million in pledges, contributions and grants for this campaign. During 2012, the Center entered into an agreement for architectural services totaling \$337,500 related to the capital campaign project. Amounts paid under this contract totaled \$63,956 and \$105,145 for the years ended June 30, 2015 and 2014, respectively. In April 2014, the Center entered into a construction contract with a general contractor for the renovation and expansion project. As of June 30, 2015, \$964,586 had been paid under this contract and future commitments total \$2,284,582.

NOTE 14 – SUBSEQUENT EVENTS

The Center's management has evaluated subsequent events for accounting and disclosure requirements through February 25, 2016, the date which the financial statements were available to be issued. There were no events occurring during the evaluation period that require disclosure or recognition in the financial statements.