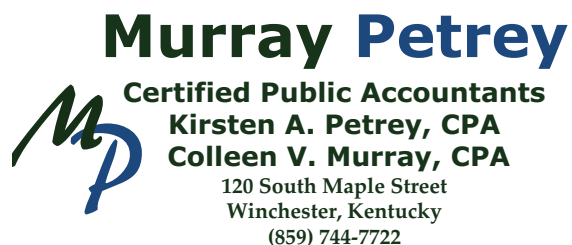


**THE LIVING ARTS AND  
SCIENCE CENTER, INC.**

**Financial Statements**

*Years Ended June 30, 2016 and 2015  
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, 2016 and 2015, 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, 2016 and 2015, 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  
March 6, 2017

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

Statements of Financial Position

June 30, 2016 and 2015

<b>Assets</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Current assets:		
Cash and cash equivalents	\$ 101,342	\$ 1,260,641
Certificates of deposit	-	1,004,022
Pledges receivable, net	420,600	692,826
Other current assets	7,631	14,895
Total current assets	529,573	2,972,384
Beneficial interest in assets held by others	135,385	164,879
Property and equipment, net	5,198,683	2,636,546
Total assets	\$ 5,863,641	\$ 5,773,809
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 204,874	\$ 408,684
Accrued expenses	39,953	33,564
Deferred revenue	27,390	29,276
Line of credit	70,000	-
Total current liabilities	342,217	471,524
Net assets:		
Unrestricted	5,386,039	3,696,776
Temporarily restricted	-	1,440,630
Permanently restricted	135,385	164,879
Total net assets	5,521,424	5,302,285
Total liabilities and net assets	\$ 5,863,641	\$ 5,773,809

*See accompanying notes.*

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

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues and other support:</b>				
Contributions	\$ 74,898	\$ 356,873	\$ 5,250	\$ 437,021
Grants	172,586	-	-	172,586
Fund for the Arts	108,000	-	-	108,000
Tuition	119,508	-	-	119,508
Special events, net of expense	76,516	-	-	76,516
Science tours and retail shop	44,712	-	-	44,712
Change in beneficial interest in assets held by others	-	-	(34,744)	(34,744)
In-kind contributions	4,050	-	-	4,050
Membership fees	10,080	-	-	10,080
Other income	9,483	-	-	9,483
Interest income	3,660	-	-	3,660
Net loss on disposal of property	(22,043)	-	-	(22,043)
Net assets released from restriction	1,797,503	(1,797,503)	-	-
Total revenues and other support	2,398,953	(1,440,630)	(29,494)	928,829
<b>Expenses:</b>				
Program expenses	542,550	-	-	542,550
General and administration	117,579	-	-	117,579
Fundraising	49,561	-	-	49,561
Total expenses	709,690	-	-	709,690
Change in net assets	1,689,263	(1,440,630)	(29,494)	219,139
Net assets, beginning of year	3,696,776	1,440,630	164,879	5,302,285
Net assets, end of year	\$ 5,386,039	\$ -	\$ 135,385	\$ 5,521,424

*See accompanying notes.*

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

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenues and other support:</b>				
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	99,459	-	-	99,459
Special events, 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	5,023	-	-	5,023
Interest income	7,177	-	-	7,177
Net loss on disposal of property	-	-	-	-
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
<b>Expenses:</b>				
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 Functional Expenses

Year Ended June 30, 2016

	<b>Science and Art Classes</b>	<b>General and Admin</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 309,039	\$ 82,802	\$ 33,342	\$ 425,183
Depreciation	74,385	3,165	1,583	79,133
Payroll taxes	27,908	7,477	3,011	38,396
Supplies	25,672	2,237	4,807	32,716
Science explorers	25,249	-	-	25,249
Insurance	21,162	901	450	22,513
Utilities	15,687	668	333	16,688
Printing	8,117	1,522	507	10,146
Benefits	6,604	1,769	712	9,085
Professional services	2,689	5,450	-	8,139
Credit card and bank fees	-	6,233	-	6,233
Equipment rent	4,625	867	289	5,781
Advertising and website	854	-	4,041	4,895
Miscellaneous	2,339	928	-	3,267
Postage	2,380	446	149	2,975
Telephone	2,350	441	147	2,938
Retail shop	2,461	-	-	2,461
Storage rental	-	2,147	-	2,147
Dues and subscriptions	1,567	294	98	1,959
Art exhibit	1,705	-	-	1,705
Repairs and maintenance	1,104	47	24	1,175
Security	960	41	20	1,021
Hospitality	767	144	48	959
Travel	876	-	-	876
Contract labor	-	-	-	-
In-kind donations:				
Landscaping	4,050	-	-	4,050
Guest speakers	-	-	-	-
Supplies	-	-	-	-
Total expenses	<u>\$ 542,550</u>	<u>\$ 117,579</u>	<u>\$ 49,561</u>	<u>\$ 709,690</u>

*See accompanying notes.*

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

Statement of Functional Expenses

Year Ended June 30, 2015

	<b>Science and Art Classes</b>	<b>General and Admin</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 239,426	\$ 78,825	\$ 51,692	\$ 369,943
Depreciation	27,999	1,191	596	29,786
Payroll taxes	21,596	7,110	4,663	33,369
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
Credit card and bank fees	-	5,192	-	5,192
Equipment rent	3,179	596	199	3,974
Advertising and website	440	-	4,078	4,518
Miscellaneous	2,567	-	-	2,567
Postage	2,985	560	186	3,731
Telephone	2,444	458	153	3,055
Retail shop	2,413	-	-	2,413
Storage rental	-	1,518	-	1,518
Dues and subscriptions	1,202	225	75	1,502
Art exhibit	3,752	-	-	3,752
Repairs and maintenance	3,245	138	69	3,452
Security	1,978	84	42	2,104
Hospitality	1,230	231	77	1,538
Travel	2,346	-	-	2,346
Contract labor	200	-	-	200
In-kind donations:				
Landscaping	3,356	-	-	3,356
Guest speakers	1,050	-	-	1,050
Supplies	600	-	-	600
<b>Total expenses</b>	<b>\$ 405,222</b>	<b>\$ 108,453</b>	<b>\$ 68,133</b>	<b>\$ 581,808</b>

*See accompanying notes.*

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

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 219,139	\$ 587,180
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	79,133	29,786
Contributions to endowment fund	(5,250)	(8,305)
Amortization of pledges receivable	(11,686)	(9,507)
Change in beneficial interest in assets held by others	34,744	4,758
Loss on disposal of property and equipment	22,043	
Changes in operating assets and liabilities:		
Pledges receivable	283,912	(62,056)
Other current assets	7,264	3,926
Accounts payable	1,064	(12,128)
Accrued expenses	6,389	(9,337)
Deferred revenue	(1,886)	(14,293)
	634,866	510,024
<b>Cash flows from investing activities:</b>		
Change in certificates of deposit	1,004,022	150,550
Purchases of property and equipment	(2,868,187)	(1,471,317)
	(1,864,165)	(1,320,767)
<b>Cash flows from financing activities:</b>		
Net borrowings on line of credit	70,000	-
	70,000	-
Net decrease in cash and cash equivalents	(1,159,299)	(810,743)
Cash and cash equivalents, beginning of year	1,260,641	2,071,384
Cash and cash equivalents, end of year	\$ 101,342	\$ 1,260,641
<b>Supplemental disclosure of cash flow information:</b>		
Noncash investment and financing transactions:		
Purchase of property and equipment through accounts payable	\$ 204,874	\$ 408,684

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, 2016 and 2015 totaled \$4,041 and \$4,078, 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, 2016 and 2015. 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>2016</u>	<u>2015</u>
Unconditional promises to give	\$ 430,000	\$ 710,932
Less unamortized discount	( 9,400)	( 18,106)
	<u>\$ 420,600</u>	<u>\$ 692,826</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:

2017	\$ 205,000
2018	175,000
2019	<u>50,000</u>
	<u>\$ 430,000</u>

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

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 692,826	\$ 621,263
Additions	250,000	505,725
Collections	( 530,932)	(430,817)
Adjustment for net present value	<u>8,706</u>	<u>( 3,345)</u>
Ending balance	<u>\$ 420,600</u>	<u>\$ 692,826</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>2016</u>	<u>2015</u>
Beginning balance	\$ 164,879	\$ 161,332
Contributions	5,250	8,305
Investment loss	( 3,348)	( 3,944)
Distributions	( 30,684)	-
Fees	( 712)	( 814)
Ending balance	<u>\$ 135,385</u>	<u>\$ 164,879</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 5,261,889	\$ 728,471
Program equipment	184,250	56,427
Land	145,000	145,000
Land improvements	70,800	31,936
Vehicles	20,592	20,592
Office equipment	11,171	14,522
Construction in progress	-	2,235,615
	<u>5,693,702</u>	<u>3,232,563</u>
Less accumulated depreciation	( 495,019)	( 596,017)
	<u>\$ 5,198,683</u>	<u>\$ 2,636,546</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. There were no temporarily restricted net assets as of June 30, 2016. Temporarily restricted net assets were available for the following purposes as of June 30, 2015:

Capital campaign/construction	\$ 1,426,750
Discovery exhibit	<u>13,880</u>
	<u>\$ 1,440,630</u>

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

	<u>2016</u>	<u>2015</u>
Capital campaign/construction	\$ 1,783,623	\$ 1,878,881
Discovery exhibit	<u>13,880</u>	<u>1,120</u>
	<u>\$ 1,797,503</u>	<u>\$ 1,880,001</u>

Permanently restricted net assets consist of a beneficial interest in assets held by others and totaled \$135,385 and \$164,879 as of June 30, 2016 and 2015, respectively.

#### **NOTE 8 – LINE OF CREDIT**

In March 2016, the Center obtained line of credit with a financial institution which allows for borrowings of up to \$400,000, with interest at the prime rate (3.5% as of June 30, 2016). The line is secured by all personal property of the Center and matures in March 2018. Outstanding borrowings totaled \$70,000 as of June 30, 2016.

#### **NOTE 9 – NOTE PAYABLE**

The Center entered into a mortgage note payable with a financial institution dated January 27, 2017 for \$250,000. The note is payable in monthly installments of \$1,590 including interest at 4.5%. This note is secured by real property and matures January 27, 2027.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### **NOTE 10 – LEASES**

The Center leased a copier under an operating lease agreement that expired in November 2016. Expense related to this lease totaled \$4,090 and \$3,586 for the years ended June 30, 2016 and 2015, respectively. The Center signed a new operating lease agreement for two copiers starting January 2017. Future minimum lease payments under this lease total \$3,972 per year through December 2021.

#### **NOTE 11 – 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 maintenance services was \$4,050 and \$3,356 for the years ended June 30, 2016 and 2015, respectively. The total recognized for guest speaking services was \$1,050 for the year ended June 30, 2015. The Center also recognized \$9,046 and \$8,350 in donated services for a fundraising event during the years ended June 30, 2016 and 2015, respectively.

#### **NOTE 12 – 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 \$8,133 and \$8,086 for the years ended June 30, 2016 and 2015, respectively.

#### **NOTE 13 – 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, 2016, the Center had no uninsured balances.

As of June 30, 2016 and 2015, respectively, 93% and 88% of all promises to give were due from two donors.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### **NOTE 14 – 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 15 – 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 \$5,363,000 in pledges, contributions and grants for this campaign. Payments to vendors related to the renovation and expansion project totaled \$2,868,187 and \$1,471,317 during the years ended June 30, 2016 and 2015, respectively. Accounts payable consist of amounts due to construction vendors totaling \$204,874 and \$408,684 as of June 30, 2016 and 2015, respectively. During March 2016, the new facilities were placed in service.

#### **NOTE 16 – SUBSEQUENT EVENTS**

The Center's management has evaluated subsequent events for accounting and disclosure requirements through March 6, 2017, the date which the financial statements were available to be issued. Except for the promissory note described in Note 9 and the new operating lease described in Note 10, there were no events occurring during the evaluation period that require disclosure or recognition in the financial statements.