

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

**Financial Statements**

*Years Ended June 30, 2018 and 2017  
with Independent Auditors' Report Thereon*

**Murray Petrey**



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**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, 2018 and 2017, 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, 2018 and 2017, 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 17, 2019

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

Statements of Financial Position

June 30, 2018 and 2017

<b>Assets</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Current assets:		
Cash and cash equivalents	\$ 221,811	\$ 271,346
Accounts receivable	2,788	20,086
Pledges receivable, net	<u>49,500</u>	<u>241,222</u>
Total current assets	274,099	532,654
Beneficial interest in assets held by others	157,517	142,464
Property and equipment, net	<u>4,908,749</u>	<u>5,094,381</u>
Total assets	<u><u>\$ 5,340,365</u></u>	<u><u>\$ 5,769,499</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 12,176	\$ 5,900
Accrued payroll and related expense	44,608	42,763
Deferred revenue	42,650	34,065
Line of credit	-	69,255
Note payable, current portion	<u>8,363</u>	<u>7,991</u>
Total current liabilities	107,797	159,974
Note payable	<u>94,389</u>	<u>239,016</u>
Total liabilities	202,186	398,990
Net assets:		
Unrestricted	4,970,662	5,228,045
Temporarily restricted	10,000	-
Permanently restricted	<u>157,517</u>	<u>142,464</u>
Total net assets	<u>5,138,179</u>	<u>5,370,509</u>
Total liabilities and net assets	<u><u>\$ 5,340,365</u></u>	<u><u>\$ 5,769,499</u></u>

*See accompanying notes and independent auditors' report.*

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

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and other support:</b>				
Grants	\$ 162,103	\$ 10,000	\$ -	\$ 172,103
Tuition	151,171	-	-	151,171
Contributions	135,389	-	-	135,389
Fund for the Arts	108,972	-	-	108,972
Special events, net of expense	107,359	-	-	107,359
Tours and exhibits	71,031	-	-	71,031
In-kind contributions	12,681	-	-	12,681
Event rental income	12,409	-	-	12,409
Membership fees	11,092	-	-	11,092
Retail shop	8,087	-	-	8,087
Change in beneficial interest in assets held by others	-	-	15,053	15,053
Other income	1,911	-	-	1,911
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and other support	782,205	10,000	15,053	807,258
<b>Expenses:</b>				
Program expenses	870,200	-	-	870,200
General and administration	146,933	-	-	146,933
Fundraising	22,455	-	-	22,455
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	1,039,588	-	-	1,039,588
Change in net assets	(257,383)	10,000	15,053	(232,330)
Net assets, beginning of year	5,228,045	-	142,464	5,370,509
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 4,970,662</u>	<u>\$ 10,000</u>	<u>\$ 157,517</u>	<u>\$ 5,138,179</u>

*See accompanying notes and independent auditors' report.*

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

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and other support:</b>				
Grants	\$ 133,832	\$ -	\$ -	\$ 133,832
Tuition	128,395	-	-	128,395
Contributions	143,781	-	-	143,781
Fund for the Arts	117,000	-	-	117,000
Special events, net of expense	83,610	-	-	83,610
Tours and exhibits	71,780	-	-	71,780
In-kind contributions	11,832	-	-	11,832
Event rental income	26,116	-	-	26,116
Membership fees	10,875	-	-	10,875
Retail shop	13,523	-	-	13,523
Change in beneficial interest in assets held by others	-	-	7,079	7,079
Other income	1,547	-	-	1,547
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and other support	742,291	-	7,079	749,370
<b>Expenses:</b>				
Program expenses	738,521	-	-	738,521
General and administration	128,307	-	-	128,307
Fundraising	33,457	-	-	33,457
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	900,285	-	-	900,285
Change in net assets	(157,994)	-	7,079	(150,915)
Net assets, beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	5,386,039	-	135,385	5,521,424
Net assets, end of year	<u>\$ 5,228,045</u>	<u>\$ -</u>	<u>\$ 142,464</u>	<u>\$ 5,370,509</u>

*See accompanying notes and independent auditors' report.*

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

Statement of Functional Expenses

Year Ended June 30, 2018

	<b>Program Expenses</b>	<b>General and Admin</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 476,633	\$ 71,288	\$ 6,301	\$ 554,222
Depreciation	188,400	8,017	4,009	200,426
Payroll taxes	32,831	4,910	434	38,175
Supplies	18,398	13,098	-	31,496
Employee benefits	25,344	3,828	339	29,511
Utilities	24,566	1,045	523	26,134
Insurance	19,590	834	416	20,840
Advertising and website	9,245	-	9,245	18,490
Science explorers	17,782	-	-	17,782
Interest expense	-	12,476	-	12,476
Maintenance and security	11,149	474	237	11,860
Printing	8,328	1,562	520	10,410
Other program expense	10,841	-	-	10,841
Bank and processing fees	-	7,683	-	7,683
Other employee expense	5,831	881	78	6,790
Legal and accounting	-	5,600	-	5,600
Other administrative	-	5,559	-	5,559
Equipment rent	3,291	617	206	4,114
Art exhibit	4,007	-	-	4,007
Retail shop expense	3,897	-	-	3,897
Contract services	3,650	-	-	3,650
Telephone	2,355	442	147	2,944
In-kind donations:				
Supplies	4,062	-	-	4,062
Landscaping	-	8,619	-	8,619
<b>Total expenses</b>	<b><u>\$ 870,200</u></b>	<b><u>\$ 146,933</u></b>	<b><u>\$ 22,455</u></b>	<b><u>\$ 1,039,588</u></b>

*See accompanying notes and independent auditors' report.*

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

Statement of Functional Expenses

Year Ended June 30, 2017

	<u>Program Expenses</u>	<u>General and Admin</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 358,476	\$ 73,216	\$ 21,255	\$ 452,947
Depreciation	185,849	7,908	3,955	197,712
Payroll taxes	29,682	6,062	1,760	37,504
Supplies	27,908	3,105	-	31,013
Employee benefits	7,225	1,476	428	9,129
Utilities	31,065	1,322	661	33,048
Insurance	24,007	1,022	510	25,539
Advertising and website	3,265	-	3,265	6,530
Science explorers	11,295	-	-	11,295
Interest expense	-	8,851	-	8,851
Maintenance and security	8,555	364	182	9,101
Printing	8,534	1,600	533	10,667
Other program expense	9,067	-	-	9,067
Bank and processing fees	-	7,055	-	7,055
Other employee expense	4,051	827	240	5,118
Legal and accounting	-	6,094	-	6,094
Other administrative	-	8,343	314	8,657
Equipment rent	3,483	653	218	4,354
Art exhibit	2,384	-	-	2,384
Retail shop expense	8,168	-	-	8,168
Contract services	1,493	-	-	1,493
Telephone	2,182	409	136	2,727
In-kind donations:				
Supplies	3,670	-	-	3,670
Landscaping	8,162	-	-	8,162
Total expenses	<u>\$ 738,521</u>	<u>\$ 128,307</u>	<u>\$ 33,457</u>	<u>\$ 900,285</u>

*See accompanying notes and independent auditors' report.*

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

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (232,330)	\$ (150,915)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	200,426	197,712
Amortization of pledges receivable	(3,278)	(5,622)
Change in beneficial interest in assets held by others	(15,053)	(7,079)
Changes in operating assets and liabilities:		
Accounts receivable	17,298	(12,455)
Pledges receivable	195,000	185,000
Accounts payable	6,276	(198,974)
Accrued payroll and related expense	1,845	2,810
Deferred revenue	<u>8,585</u>	<u>6,675</u>
Net cash provided by operating activities	178,769	17,152
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(14,794)</u>	<u>(93,410)</u>
Net cash used in investing activities	<u>(14,794)</u>	<u>(93,410)</u>
<b>Cash flows from financing activities:</b>		
Net repayments on line of credit	(69,255)	(745)
Borrowings on note payable	-	250,265
Repayment of note payable	<u>(144,255)</u>	<u>(3,258)</u>
Net (used in) provided by financing activities	<u>(213,510)</u>	<u>246,262</u>
Net (decrease) increase in cash and cash equivalents	(49,535)	170,004
Cash and cash equivalents, beginning of year	<u>271,346</u>	<u>101,342</u>
Cash and cash equivalents, end of year	<u><u>\$ 221,811</u></u>	<u><u>\$ 271,346</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 12,476	\$ 8,851

*See accompanying notes and independent auditors' report.*

## 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.

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

The Center follows the accounting standards set by the Financial Accounting Standards Board (FASB). FASB sets the accounting principles generally accepted in the United States of America (GAAP) used by the Center to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by FASB in these footnotes are to the FASB Accounting Standards Codification (ASC).

The following is a summary of significant accounting policies consistently followed by the Center in the preparation of its financial statements.

##### **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 ASC 958-205, *Nonprofit Organization Entities, Presentation of Financial Statements*. Under the provisions of ASC 958-205, the Center reports 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.

##### **Use of Estimates**

In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues, and expenses during the reporting period. Actual results could differ from those estimates.

##### **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.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

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

##### Fair Value Measurements, continued

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 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, accounts receivable, pledges receivable, beneficial interest in assets held by others, accounts payable, accrued payroll and related expense, line of credit and note payable. The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued payroll and related expense, and the line of credit approximates fair value due to the short maturity of these instruments (Level 2). The carrying value of the note payable approximates fair value and is based on future cash flows discounted at an applicable interest rate that is consistent with similar debt instruments (Level 2). 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.

##### Accounts Receivable

Accounts receivable consists primarily of tuition fees receivable. Management considers accounts receivable to be fully collectible and therefore no allowance for uncollectible receivables has been recorded.

##### 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 were 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.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

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

##### 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.

##### Property and Equipment

Property and equipment are 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 net assets released from restriction. 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 are 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, 2018 and 2017 totaled \$10,308 and \$5,573, 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 taxable unrelated business income for the years ended June 30, 2018 and 2017. 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.

##### Functional 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 based on management's estimates of the portion of the costs applicable to each function.

##### New Pronouncements

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 changes how a not-for-profit entity classifies its net assets and the information it presents in the financial statements and notes about liquidity, financial performance, and cash flows. ASU 2016-14 is effective for the Center for the year ended June 30, 2019.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize leased assets as right-of-use assets in the statement of financial position with a corresponding liability. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for the Center for the year ended June 30, 2020.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. ASU 2014-09 requirements are effective for the Center for the year ended June 30, 2020.

The Center's management is currently evaluating the effect these new standards will have on its financial statements.

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

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

##### 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 1.01% to 1.63%. The following is a summary of the Center's pledges receivable as of June 30:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Unconditional promises to give	\$ 50,000	\$ 245,000
Less unamortized discount	( 500)	( 3,778)
	<u>\$ 49,500</u>	<u>\$ 241,222</u>

Cash receipts on pledges are expected to total \$50,000 for the year ended June 30, 2019.

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

	<b><u>2018</u></b>	<b><u>2017</u></b>
Beginning balance	\$ 241,222	\$ 420,600
Collections	( 95,000)	( 185,000)
Adjustment for net present value	3,278	5,622
Ending balance	<u>\$ 49,500</u>	<u>\$ 241,222</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 LIVING ARTS AND SCIENCE CENTER, INC.**

Notes to the Financial Statements

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

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

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 142,464	\$ 135,385
Investment gain	15,814	13,950
Distributions	-	( 6,182)
Fees	( 761)	( 689)
Ending balance	<u>\$ 157,517</u>	<u>\$ 142,464</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 5,368,043	\$ 5,353,249
Program equipment	186,300	186,300
Land	145,000	145,000
Land improvements	70,800	70,800
Vehicles	20,592	20,592
Office equipment	11,171	11,171
	<u>5,801,906</u>	<u>5,787,112</u>
Less accumulated depreciation	( 893,157)	( 692,731)
	<u>\$ 4,908,749</u>	<u>\$ 5,094,381</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 LIVING ARTS AND SCIENCE CENTER, INC.**

Notes to the Financial Statements

**NOTE 6 – ENDOWMENT FUND, CONTINUED**

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 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 totaled \$10,000 as of June 30, 2018, and were restricted for a discovery exhibit. There were no temporarily restricted net assets as of June 30, 2017. Permanently restricted net assets consist of a beneficial interest in assets held by others and totaled \$157,517 and \$142,464 as of June 30, 2018 and 2017, respectively.

**NOTE 8 – LINE OF CREDIT**

In March 2016, the Center obtained line of credit with a financial institution which allowed for borrowings of up to \$400,000. This line matured in March 2018 and was paid in full. Outstanding borrowings totaled \$69,255 as of June 30, 2017.

**NOTE 9 – NOTE PAYABLE**

In January 2017, the Center entered into a mortgage note payable with a financial institution for \$250,000. The note is payable in monthly installments of \$1,590 including interest at the prime rate (5.0% as of June 30, 2018). This note is secured by real property and matures January 27, 2027. In June 2018, the Center made a lump sum payment on this note of \$136,000.

Future maturities are as follows for the years ended June 30:

	2019	\$	8,363
	2020		8,724
	2021		9,159
	2022		9,586
	2023		9,051
	Thereafter		57,869
			<hr/>
			102,752
Less: current portion			8,363
		\$	<hr/> <hr/>
			94,389

## THE LIVING ARTS AND SCIENCE CENTER, INC.

### Notes to the Financial Statements

#### **NOTE 10 – LEASES**

The Center leases copiers under an operating lease agreement that expires in December 2021. Expense related to this lease totaled \$4,414 and \$4,113 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments total \$3,972 per year.

#### **NOTE 11 – 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 the employee's salary. Retirement expense for the Center was \$9,275 and \$7,189 for the years ended June 30, 2018 and 2017, respectively.

#### **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.

#### **NOTE 13 – CONCENTRATIONS**

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash deposits 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, 2018, the Center had no uninsured balances.

Pledges receivable were due from one donor and three donors as of June 30, 2018 and June 30, 2017, respectively.

#### **NOTE 14 – SUBSEQUENT EVENTS**

The Center's management has evaluated subsequent events for accounting and disclosure requirements through January 17, 2019, 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.