



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

LEXINGTON, KENTUCKY

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2022 AND 2021

THE LIVING ARTS AND SCIENCE CENTER, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Living Arts and Science Center, Inc.
Lexington, Kentucky

We have audited the accompanying financial statements of The Living Arts and Science Center, Inc. (a nonprofit organization, the Center), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
The Living Arts and Science Center, Inc.
Lexington, Kentucky

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blue & Co., LLC

Lexington, Kentucky
December 20, 2022

THE LIVING ARTS AND SCIENCE CENTER, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 278,974	\$ 366,743
Contract receivables	31,222	15,284
Prepaid expenses	3,608	715
Total current assets	<u>313,804</u>	<u>382,742</u>
Beneficial interest in assets held by others	192,157	205,336
Property and equipment, net	<u>4,181,879</u>	<u>4,382,419</u>
Total assets	<u>\$ 4,687,840</u>	<u>\$ 4,970,497</u>
LIABILITIES:		
Accounts payable	\$ 12,603	\$ 7,555
Accrued payroll and related expense	21,498	30,522
Contract liabilities, deferred revenue	49,440	31,760
Note payable, current portion	<u>16,436</u>	<u>16,145</u>
Total current liabilities	99,977	85,982
Forgivable loan		121,200
Note payable	25,724	40,374
Total liabilities	<u>125,701</u>	<u>247,556</u>
Net assets:		
Without donor restrictions	4,369,982	4,513,855
With donor restrictions:		
Held in trust by others	192,157	205,336
Purpose-restricted		3,750
Total with donor restrictions	<u>192,157</u>	<u>209,086</u>
Total net assets	<u>4,562,139</u>	<u>4,722,941</u>
Total liabilities and net assets	<u>\$ 4,687,840</u>	<u>\$ 4,970,497</u>

See accompanying notes
to financial statements.

THE LIVING ARTS AND SCIENCE CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUE:			
Revenue from services:			
Tuition	\$ 115,836	\$	\$ 115,836
Tours and exhibits	26,720		26,720
Event rental income	9,605		9,605
Retail shop	2,775		2,775
Total revenue from services	<u>154,936</u>	<u>0</u>	<u>154,936</u>
Other revenue:			
Grants	100,814	75,741	176,555
Forgiveness of loan	121,200		121,200
Fund for the Arts	100,000		100,000
Contributions	86,670		86,670
Membership fees	6,850		6,850
In-kind contributions	5,332		5,332
Special events, net of expense	3,000		3,000
Other income	705		705
Change in beneficial interest in assets held by others		(13,179)	(13,179)
Net assets released from restriction, satisfaction of program restrictions:			
Salary support, art	12,276	(12,276)	0
Stormwater quality	10,802	(10,802)	0
Science and technology	24,136	(24,136)	0
21st Century program, Fayette County Schools	32,277	(32,277)	0
Total other revenue	<u>504,062</u>	<u>(16,929)</u>	<u>487,133</u>
Total revenues	<u>658,998</u>	<u>(16,929)</u>	<u>642,069</u>
EXPENSES:			
Program expenses	685,996		685,996
General and administration	104,035		104,035
Fundraising	12,840		12,840
Total expenses	<u>802,871</u>	<u>0</u>	<u>802,871</u>
Changes in net assets	(143,873)	(16,929)	(160,802)
Net assets, beginning of year	<u>4,513,855</u>	<u>209,086</u>	<u>4,722,941</u>
Net assets, end of year	<u>\$ 4,369,982</u>	<u>\$ 192,157</u>	<u>\$ 4,562,139</u>

See accompanying notes
to financial statements.

THE LIVING ARTS AND SCIENCE CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUE:			
Revenue from services:			
Tuition	\$ 57,273	\$	\$ 57,273
Tours and exhibits	650		650
Event rental income	425		425
Total revenue from services	58,348	0	58,348
Other revenue:			
Grants	158,276	26,000	184,276
Contributions	126,173		126,173
Forgiveness of loan	120,700		120,700
Fund for the Arts	90,000		90,000
Other income	10,832		10,832
In-kind contributions	8,075		8,075
Membership fees	5,435		5,435
Special events, net of expense	360		360
Change in beneficial interest in assets held by others		49,171	49,171
Net assets released from restriction, satisfaction of program restrictions:			
Discovery Exhibit	30,000	(30,000)	0
Camps	2,250	(2,250)	0
Total other revenue	552,101	42,921	595,022
Total revenues	610,449	42,921	653,370
EXPENSES:			
Program expenses	573,764		573,764
General and administration	88,261		88,261
Fundraising	10,980		10,980
Total expenses	673,005	0	673,005
Changes in net assets	(62,556)	42,921	(19,635)
Net assets, beginning of year	4,576,411	166,165	4,742,576
Net assets, end of year	\$ 4,513,855	\$ 209,086	\$ 4,722,941

See accompanying notes
to financial statements.

THE LIVING ARTS AND SCIENCE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program services	General and administrative	Fundraising	Total
Salaries and wages	\$ 316,767	\$ 47,378	\$ 4,188	\$ 368,333
Payroll taxes	24,773	3,705	327	28,805
Employee benefits	17,223	2,601	230	20,054
	<u>358,763</u>	<u>53,684</u>	<u>4,745</u>	<u>417,192</u>
Depreciation	188,507	8,022	4,011	200,540
Utilities	27,950	1,189	596	29,735
Maintenance and security	22,878	971	487	24,336
Other program expense	18,178	0	0	18,178
Legal and accounting	0	17,725	0	17,725
Contract services	16,043	0	0	16,043
Insurance	14,269	608	302	15,179
Equipment rent	7,861	1,474	489	9,824
Other administrative	0	9,236	0	9,236
Bank and processing fee	0	6,977	0	6,977
Other employee expense	3,694	558	49	4,301
Science explorers	11,870	0	0	11,870
Advertising and website	2,001	0	2,002	4,003
Art exhibit	2,586	0	0	2,586
Telephone	1,988	373	124	2,485
Retail shop expense	2,379	0	0	2,379
Interest expense	0	2,302	0	2,302
Supplies	1,141	812	0	1,953
Printing	556	104	35	695
In kind donations:				
Landscaping	5,332	0	0	5,332
Total expenses	<u>\$ 685,996</u>	<u>\$ 104,035</u>	<u>\$ 12,840</u>	<u>\$ 802,871</u>

See accompanying notes
to financial statements.

THE LIVING ARTS AND SCIENCE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program services	General and administrative	Fundraising	Total
Salaries and wages	\$ 240,142	\$ 35,917	\$ 3,175	\$ 279,234
Payroll taxes	19,771	2,957	261	22,989
Employee benefits	19,734	2,980	264	22,978
	<u>279,647</u>	<u>41,854</u>	<u>3,700</u>	<u>325,201</u>
Depreciation	190,334	8,100	4,050	202,484
Other program expense	26,187	0	0	26,187
Legal and accounting	0	20,461	0	20,461
Utilities	18,023	767	384	19,174
Insurance	15,908	678	337	16,923
Maintenance and security	10,009	425	213	10,647
Science explorers	7,445	0	0	7,445
Equipment rent	4,903	919	305	6,127
Other administrative	0	5,630	0	5,630
Bank and processing fee	0	4,776	0	4,776
Other employee expense	3,518	531	47	4,096
Advertising and website	1,744	0	1,745	3,489
Contract services	3,073	0	0	3,073
Interest expense	0	2,981	0	2,981
Telephone	1,983	372	124	2,479
Printing	1,205	226	75	1,506
Supplies	760	541	0	1,301
Art exhibit	950	0	0	950
In kind donations:				0
Landscaping	8,075			8,075
	<u>8,075</u>	<u></u>	<u></u>	<u>8,075</u>
Total expenses	<u>\$ 573,764</u>	<u>\$ 88,261</u>	<u>\$ 10,980</u>	<u>\$ 673,005</u>

See accompanying notes
to financial statements.

THE LIVING ARTS AND SCIENCE CENTER, INC.

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (160,802)	\$ (19,635)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	200,540	202,484
Forgiveness of debt	(121,200)	(120,700)
Change in beneficial interest in assets held by others	13,179	(49,171)
Changes in operating assets and liabilities:		
Contract receivables	(15,938)	16,456
Prepaid expenses	(2,893)	744
Accounts payable	5,048	3,907
Accrued payroll and related expense	(9,024)	8,687
Contract liabilities	17,680	31,760
	<u>(73,410)</u>	<u>74,532</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from forgivable loan	0	121,200
Repayment of note payable	(14,359)	(16,102)
	<u>(14,359)</u>	<u>105,098</u>
Change in cash and cash equivalents during the year	(87,769)	179,630
Cash and cash equivalents, beginning of year	<u>366,743</u>	<u>187,113</u>
Cash and cash equivalents, end of year	<u>\$ 278,974</u>	<u>\$ 366,743</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 2,302	\$ 2,981

See accompanying notes
to financial statements.

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Living Arts and Science Center, Inc. (the Center) is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities:

The Center was organized as a not-for-profit organization in 1968 to provide creative and educational opportunities in the arts and sciences accessible to all children and adults in the central Kentucky area. The Center provides classes at 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.

Basis of Accounting:

The financial statements of the Center have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Center are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.
- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Cash and Cash Equivalents:

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

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Contract Receivables:

Contract receivables consist primarily of tuition fees receivable. Management considers all material amounts to be fully collectible and therefore no allowance for uncollectible receivables has been recorded. The beginning balance of contract receivables for fiscal year 2020 was approximately \$44,000.

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:

Assets acquired are stated at cost, or in the case of donated assets, at fair value on the date of donation. The Center capitalizes items with a cost or fair value at acquisition of \$500 or greater. The Center provides for depreciation on the straight-line method over estimated useful lives of five to forty years. Maintenance and repairs are charged to expense as incurred. Donated fixed assets are capitalized at their estimated fair market values at the date of receipt. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Income Taxes:

The Center is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (the Code). However, income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Center has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that as of June 30, 2022 and 2021 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Center is subject to routine audits by taxing jurisdictions. There are currently no audits for any tax periods in progress.

The Center has filed its federal income tax returns for periods through June 30, 2020. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Revenue Recognition:

Grants, contributions, Fund for the Arts, and special events revenue (collectively, contributions) received are recorded as either increases in net assets without donor restrictions or increases in net assets with donor restrictions depending on the existence of donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions restricted are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were no grants that were considered exchange transactions in fiscal years 2021 or 2020.

Tuition for educational classes, and daily tours and exhibits of the Center's facilities are recognized in the period the applicable events occur. There were no ongoing events at June 30, 2021 or 2020. Prepayments are reported as contract liabilities.

All other revenues are recognized as earned.

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, 2022 and 2021 totaled approximately \$3,000 and \$11,000, respectively.

Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Direct costs are allocated by department. Certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, utilities, insurance, maintenance, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, and other employee expense which are allocated on the basis of estimates of time and effort. Although the methods used were appropriate, alternative methods may have provided different results.

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Use of Estimates:

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events:

The Center evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 20, 2022, which is the date the financial statements were available to be issued.

Going Concern Evaluation:

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period one year from the date the financial statements were available to be issued.

2. 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 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 Accounting Standards Codification (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.

Since all investment and spending decisions are at BGCF's discretion, the Center does not have investment or spending policies for these funds.

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

The following table sets forth a summary of changes in the fair value of assets held by BGCF for the years ended June 30 (amounts rounded):

	2022	2021
Beginning balance	\$ 205,000	\$ 156,000
Investment gain (loss)	(12,000)	50,000
Fees	(1,000)	(1,000)
Ending balance	<u>\$ 192,000</u>	<u>\$ 205,000</u>

3. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30 (amounts rounded):

	2022	2021
Buildings and improvements	\$ 5,423,000	\$ 5,423,000
Program equipment	202,000	202,000
Land	145,000	145,000
Land improvements	77,000	77,000
Vehicles	21,000	21,000
Office equipment	11,000	11,000
	<u>5,879,000</u>	<u>5,879,000</u>
Less accumulated depreciation	(1,697,000)	(1,497,000)
Property and equipment, net	<u>\$ 4,182,000</u>	<u>\$ 4,382,000</u>

4. RETIREMENT PLAN

During 2009, the Center initiated a Simple Individual Retirement Account 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 approximately \$1,400 and \$1,900, respectively, for the years ended June 30, 2022 and 2021.

5. RELATED PARTY TRANSACTIONS

Members of the Board of Directors have contributed their financial support and volunteered time to the Center. The contributions are included in revenue in the statement of activities.

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

6. 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 accounts with a federally insured financial institution in Lexington, Kentucky. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000. At June 30, 2022 and 2021, there were no bank balances in these accounts that exceeded the limit of the FDIC. However, from time to time, the balances may exceed federally insured limits.

During fiscal year 2022, the Center received approximately 19% of its total revenue, net of loan forgiveness, from one entity. At June 30, 2022, approximately 80% of the Center's receivables was from one entity.

During fiscal year 2021, the Center received approximately 26% of its total revenue, net of loan forgiveness, from two entities. At June 30, 2021, approximately 96% of the Center's receivables were from two entities.

7. CONTRACT LIABILITIES

The following table provides information about significant changes in contract liabilities for the years ended June 30 (amounts rounded):

	2022	2021
Balance, beginning of year	\$ 32,000	\$ 0
Revenue recognized during the year	(32,000)	0
Prepayments received during the year	49,000	32,000
Balance, end of year	<u>\$ 49,000</u>	<u>\$ 32,000</u>

8. FORGIVABLE LOANS

Under the provisions of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Center received a Payroll Protection Program (PPP) loan from the Small Business Administration (SBA) on July 1, 2020. The loan, in the amount of \$120,700, bears interest at 1% per annum and is repayable on or before July 1, 2022. This loan program allows for up to 100% of the loan amount, plus interest, to be forgiven if the Center meets certain criteria, primarily the protection of jobs and the continued employment and payment of full wages and benefits to employees. Additionally, forgiveness is allowed for other qualified, non-payroll expenses such as utilities and lease payments. The loan was forgiven on May 14, 2021 and is recognized as revenue on the accompanying statement of activities.

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Under the provisions of the CARES Act, the Center received a second PPP loan in February 2021. The loan, in the amount of \$121,200, bears interest at 1% per annum and is repayable on or before February 2023. This loan program allows for up to 100% of the loan amount, plus interest, to be forgiven if the Center meets certain criteria, primarily the protection of jobs and the continued employment and payment of full wages and benefits to employees. Additionally, forgiveness is allowed for other qualified, non-payroll expenses such as utilities and lease payments.

The loan was forgiven in November 2021 and will be recognized as revenue in fiscal year 2022.

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 4.50% through January 2020 and at the prime rate thereafter. This note matures in January 2027 is secured by real property with a net book value of approximately \$4.1 million at June 30, 2022. Due to an additional principal payment in June 2018, scheduled payments end in February 2025.

Aggregate principal maturities are as follows for the years ended June 30 (amounts rounded):

2023	\$	17,000
2024		18,000
2025		7,000
	\$	<u>42,000</u>

10. AVAILABILITY OF FINANCIAL ASSETS

The Center is supported by grants, program service revenue, and contributions to meet its ongoing obligations. As part of the Center's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center invests cash in excess of daily requirements in short-term investments. The following reflects the Center's financial assets as of the statement of financial position, reduced by amounts not available for general use within one year of the statement of financial position date.

	2022	2021
Cash and cash equivalents	\$ 279,000	\$ 367,000
Contract receivables	31,000	15,000
Total	<u>\$ 310,000</u>	<u>\$ 382,000</u>

THE LIVING ARTS AND SCIENCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

11. UPCOMING PRONOUNCEMENTS

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new standard, which the Center is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

On September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This new standard requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, there are expanded disclosure requirements. The Center will be required to adopt this new standard in the year ending June 30, 2022.

The Center is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

12. IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts Center's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, collectability of receivables, additional costs for responding to COVID-19 and reductions in program service revenue, grants, contributions and other funding. Management believes the Center is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.