

**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**FINANCIAL STATEMENTS**

As of and for the Years Ended July 31, 2015 and 2014

And

**INDEPENDENT AUDITOR'S REPORT**

**LAWRENCE ARTS CENTER, INC.**  
Lawrence, Kansas

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## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Board of Directors  
Lawrence Arts Center, Inc.  
940 New Hampshire Street  
Lawrence, Kansas 66044

We have audited the accompanying financial statements of the Lawrence Arts Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of July 31, 2015 and 2014, and the related statements of activities, 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 from 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  
Lawrence Arts Center, Inc.

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 Lawrence Arts Center, Inc. as of July 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Karlin & Long, LLC  
Certified Public Accountants

October 7, 2015  
Lawrence, Kansas

**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**STATEMENTS OF FINANCIAL POSITION**

As of July 31, 2015 and 2014

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Current Assets		
Cash and Cash Equivalents	\$ 9,567	\$ 4,622
Externally Restricted Cash and Cash Equivalents	25,391	25,622
Investments	1,040,841	929,361
Reserves	86,813	124,718
Legacy Fund	209,191	242,454
LAC Endowment Investment	152,463	151,031
Pledges and Accounts Receivable	27,513	24,066
Prepaid Expense	105,745	69,047
Inventory	13,435	13,435
Total Current Assets	1,670,959	1,584,356
Fixed Assets		
Property and Equipment (Note 4)	931,648	831,864
Accumulated Depreciation	(501,847)	(448,436)
Total Fixed Assets	429,801	383,428
Total Assets	\$ 2,100,760	\$ 1,967,784
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	\$ 38,450	\$ 33,895
Accrued Liabilities	2,049	1,791
City of Lawrence Obligation	2,000	2,000
Deferred Revenue	65,363	50,967
Total Current Liabilities	107,862	88,653
Long Term Liabilities		
City of Lawrence Obligation, less current portion	6,424	8,424
Net Assets		
Unrestricted	583,979	547,860
Temporarily Restricted	1,402,495	1,322,847
Total Net Assets	1,986,474	1,870,707
Total Liabilities and Net Assets	\$ 2,100,760	\$ 1,967,784

The accompanying notes to financial statements  
are an integral part of this statement.

**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**STATEMENTS OF ACTIVITIES**

For the years ended July 31, 2015 and 2014

	<b>2015</b>		
	Unrestricted	Temporarily Restricted	Total
<b>Support</b>			
Program and Project Revenues	\$ 1,212,124		\$ 1,212,124
Grants, Donations and Sponsorships	919,138	87,756	1,006,894
Memberships	389,423		389,423
Gallery Sales	212,861		212,861
Interest and Investment Income	542	7,878	8,420
Building Use	58,436		58,436
Other	50,952		50,952
Net Assets Released from Restrictions	15,986	(15,986)	-
Total Support	2,859,462	79,648	2,939,110
<b>Expenses</b>			
Arts Based Preschool	284,531		284,531
Dance Program	309,122		309,122
Performing Arts	549,289		549,289
Education Program	600,581		600,581
Exhibition Program	318,034		318,034
Administration	761,786		761,786
Total Expenses	2,823,343	-	2,823,343
<b>Change in Net Assets</b>	36,119	79,648	115,767
Net Assets, Beginning of Year	547,860	1,322,847	1,870,707
Net Assets, End of Year	<u>\$ 583,979</u>	<u>\$ 1,402,495</u>	<u>\$ 1,986,474</u>

The accompanying notes to financial statements  
are an integral part of this statement.



**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**STATEMENTS OF ACTIVITIES**

For the years ended July 31, 2015 and 2014

	<b>2014</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support</b>			
Program and Project Revenues	\$ 1,123,417	\$ -	\$ 1,123,417
Grants, Donations and Sponsorships	738,848	963,891	1,702,739
Memberships	339,357	-	339,357
Gallery Sales	154,648	-	154,648
Interest and Investment Income	14,416	-	14,416
Building Use	53,795	-	53,795
Other	44,656	-	44,656
Net Assets Released from Restrictions	-	-	-
<b>Total Support</b>	<b>2,469,137</b>	<b>963,891</b>	<b>3,433,028</b>
<b>Expenses</b>			
Arts Based Preschool	252,489	-	252,489
Dance Program	247,360	-	247,360
Performing Arts	482,409	-	482,409
Education Program	496,157	-	496,157
Exhibition Program	268,791	-	268,791
Administration	510,199	-	510,199
<b>Total Expenses</b>	<b>2,257,405</b>	<b>-</b>	<b>2,257,405</b>
<b>Change in Net Assets</b>	<b>211,732</b>	<b>963,891</b>	<b>1,175,623</b>
Net Assets, Beginning of Year	336,128	358,956	695,084
Net Assets, End of Year	<u>\$ 547,860</u>	<u>\$ 1,322,847</u>	<u>\$ 1,870,707</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**LAWRENCE ARTS CENTER, INC.**  
Lawrence, Kansas

**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended July 31, 2015 and 2014

	2015						
	Arts Based Preschool	Dance Program	Performing Arts	Education Program	Exhibition Program	Administration	Total
Salaries and Wages	\$ 156,949	\$ 111,465	\$ 163,681	\$ 167,189	\$ 62,649	\$ 135,963	\$ 797,896
Taxes and benefits	15,998	16,853	21,084	29,179	13,190	15,011	111,315
Insurance	8,411	2,710	9,555	11,037	1,462	10,524	43,699
Professional Fees	7,356	7,356	8,275	8,275	5,517	8,816	45,595
Operating Equipment and Supplies	34,429	46,472	64,931	51,159	37,544	114,352	348,887
Contract Artists	895	43,540	163,134	136,325	42,265	-	386,159
Theater	-	-	-	-	-	-	-
Grant	327	-	-	12,713	-	327,593	340,633
Vending	-	-	-	-	-	3,214	3,214
Alcohol Expense	-	-	-	-	-	23,528	23,528
Production	-	-	71,748	-	-	-	71,748
Professional Development	-	-	-	-	-	-	-
Programming	7,059	19,030	-	52,501	11,863	-	90,453
Projects	4,185	17,534	-	75,180	88,537	7,449	192,885
Support	47,547	42,646	39,655	44,274	47,036	88,882	310,040
Facility	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	171	171
Investment Fees	-	-	-	-	-	3,709	3,709
Depreciation	1,375	1,516	7,226	12,749	7,971	22,574	53,411
Total Expenses	<u>\$ 284,531</u>	<u>\$ 309,122</u>	<u>\$ 549,289</u>	<u>\$ 600,581</u>	<u>\$ 318,034</u>	<u>\$ 761,786</u>	<u>\$ 2,823,343</u>

The accompanying notes to financial statements  
are an integral part of this statement



**LAWRENCE ARTS CENTER, INC.**  
Lawrence, Kansas

**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended July 31, 2015 and 2014

	2014						
	<u>Arts Based Preschool</u>	<u>Dance Program</u>	<u>Performing Arts</u>	<u>Education Program</u>	<u>Exhibition Program</u>	<u>Administration</u>	<u>Total</u>
Salaries and Wages	\$ 138,713	\$ 101,253	\$ 99,361	\$ 150,312	\$ 55,173	\$ 76,800	\$ 621,612
Taxes and benefits	12,148	14,699	18,526	21,024	11,232	6,865	84,494
Insurance	10,226	5,406	15,186	10,715	1,564	10,039	53,136
Professional Fees	-	6,628	7,457	7,457	4,971	8,234	34,747
Operating Equipment and Supplies	37,934	34,534	54,386	41,436	30,328	110,946	309,564
Contract Artists	2,602	18,897	140,096	112,936	25,840	-	300,371
Theater	-	-	-	-	-	-	-
Grant	596	-	-	-	-	168,951	169,547
Vending	-	-	-	-	-	3,369	3,369
Alcohol Expense	-	-	-	-	-	17,248	17,248
Production	-	-	109,757	-	-	-	109,757
Professional Development	-	-	-	-	-	-	-
Programming	7,543	13,962	-	49,131	14,009	-	84,645
Projects	2,459	14,896	-	56,070	82,167	5,564	161,156
Support	39,223	36,866	31,636	34,619	38,217	89,160	269,721
Facility	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,117	2,117
Depreciation	1,045	219	6,004	12,457	5,290	10,906	35,921
Total Expenses	<u>\$ 252,489</u>	<u>\$ 247,360</u>	<u>\$ 482,409</u>	<u>\$ 496,157</u>	<u>\$ 268,791</u>	<u>\$ 510,199</u>	<u>\$ 2,257,405</u>

The accompanying notes to financial statements  
are an integral part of this statement

**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**STATEMENTS OF CASH FLOWS**

For the years ended July 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities</b>		
<b>Increase (Decrease) in Net Assets</b>	\$ 115,767	\$ 1,175,623
Adjustments to reconcile change in net assets to net cash flows		
Depreciation	53,411	35,921
Change in assets and liabilities		
(Increase) Decrease in Accounts Receivable	(3,447)	(22,949)
(Increase) Decrease in Prepaid Expenses	(36,698)	(43,933)
Increase (Decrease) in Accounts Payable	4,555	26,553
Increase (Decrease) in Accrued Liabilities	258	(321)
Increase (Decrease) in Deferred Revenues	14,396	4,368
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>148,242</u>	<u>1,175,262</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Capital Assets	(99,784)	(224,181)
Purchase of Investments	(41,744)	(954,839)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(141,528)</u>	<u>(1,179,020)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on Long Term Debt	(2,000)	(2,000)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(2,000)</u>	<u>(2,000)</u>
<b>Net Increase (Decrease) in Cash for Period</b>	4,714	(5,758)
<b>Cash as of Beginning of Period</b>	<u>30,244</u>	<u>36,002</u>
<b>Cash as of End of Period</b>	<u>\$ 34,958</u>	<u>\$ 30,244</u>

The accompanying notes to financial statements  
are an integral part of this statement

**LAWRENCE ARTS CENTER, INC.**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies**

**Business Activity**

Lawrence Arts Center, Inc. was established in 1974 as a non-profit corporation to provide classes for participation in the arts, support for local artists, and serves the arts-related needs of the community and is located at 940 New Hampshire, Lawrence, Kansas.

**Financial Statements**

The accompanying financial statements of Lawrence Arts Center, Inc. have been prepared on an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Under the accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – net assets subject to donor imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

**Property and Equipment**

Property and equipment consist of general operating assets and are recorded at cost. Donated assets are recorded at their estimated fair market value at date of contribution. It is the policy of the Arts Center to capitalize expenditures for property and equipment in excess of \$500. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized.

**LAWRENCE ARTS CENTER, INC.**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets as follows:

Theatre	10 years
Gallery	5-10 years
Classroom	3-30 years
Preschool	10 years
Office Equipment	3-10 years
Custodial	10 years
Transportation	4-10 years
Miscellaneous	10-30 years

**Support and Revenues**

The Arts Center receives funding from donations from foundations, private individuals, local businesses, state and federal grants, and the local governmental entities. Revenues are also received for the various arts based educational services and events provided to the local community and for the theatrical performances provided to the community and cities. Revenues are recognized when earned.

**Donated Materials and Services**

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributed in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such service. The Organization pays for most services requiring specific expertise. Many individuals provided services to the Organization at no cost for such things as advertising, catering, and printing. In addition, the Organization receives free occupancy and utilities the value of which has not been recorded in the financial statements. Management does not believe this departure from generally accepted accounting principles has a material impact on the financial statements.



**LAWRENCE ARTS CENTER, INC.**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Income Taxes Status**

Lawrence Arts Center, Inc. is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Lawrence Arts Center, Inc. has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a) of the Internal Revenue Code. The organization has not been involved in any activities subject to the Unrelated Business Income Tax of nonprofit organizations.

The Organization’s payroll tax returns for the years ending 2015, 2014, and 2013 are subject to examination by the IRS and state taxing authorities. Returns are generally subject to examination for three years after they were filed.

**Use of Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of certain assets, liabilities and disclosures. Accordingly, actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year the adjustment is determined.

**NOTE 2 – Debt Obligation**

The Arts Center entered into a debt agreement with the City of Lawrence on November 28, 2000 for City constructed facilities that the Organization occupies. The Arts Center agreed to pay the City \$3,000,000 with the final payment due September 1, 2003.

During July 2006 the remaining obligation was restructured by the City requiring annual payments of \$2,000 beginning August 26, 2006 until the obligation is retired. Interest on the obligation has been forgiven, however a finance charge of 1% of the outstanding balance will be assessed on payments made after August 26 of each year. The balance on the obligation as of July 31, 2015 and 2014 totaled \$8,424 and \$10,424 respectively.

**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS****NOTE 3 – Deposits and Investments**

The Organization considers substantially all demand deposits and certificates of deposits with original maturity of one year or less to be cash equivalents.

Certificates of deposit with an original maturity of more than one year are considered to be investments. Investments, current and endowment are valued as follows:

2015			
	Market Value	Book Value	Unrealized Gain (Loss)
Cash	\$ 9,567	\$ 9,567	\$ -
Cash - Restricted	25,391	25,391	-
Cash - Restricted	1,040,841	1,040,841	-
Cash - Reserved	86,813	86,813	-
Legacy Fund	209,191	192,684	16,507
LAC Endowment	152,463	136,756	15,707
	<u>\$ 1,524,266</u>	<u>\$ 1,492,052</u>	<u>\$ 32,214</u>

2014			
	Market Value	Book Value	Unrealized Gain (Loss)
Cash	\$ 4,622	\$ 4,622	\$ -
Cash - Restricted	25,622	25,622	-
Cash - Restricted	929,361	929,361	-
Cash - Reserved	124,718	124,718	-
Legacy Fund	242,454	221,699	20,755
LAC Endowment	151,031	131,512	19,519
	<u>\$ 1,477,808</u>	<u>\$ 1,437,534</u>	<u>\$ 40,274</u>

**NOTE 4 – Restricted Assets**

Substantially all of the temporarily restricted net assets as of July 31, 2015 and 2014 consist of donations and grants for the education, exhibition, dance, performing arts programs and for scholarships. During 2015 the Center received several grants which are externally restricted for certain purposes.



**LAWRENCE ARTS CENTER, INC.**

Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – Property, Equipment and Depreciation**

Major classes of capital assets and related accumulated depreciation as of July 31, 2015 and 2014 are as follows:

	2015	2014
Preschool	\$ 14,857	\$ 14,857
Dance	16,087	1,096
Transportation	28,591	28,591
Performing Arts	106,979	105,492
Education	240,748	228,222
Exhibition	71,952	62,326
Operating	179,540	127,063
Facilities	272,894	264,217
Miscellaneous		
	931,648	831,864
Accumulated Depreciation	\$ (501,847)	\$ (448,436)
Total	\$ 429,801	\$ 383,428

**NOTE 6 – Risk Management**

The Arts Center is exposed to various risks of loss related to theft, damage, and destruction of assets, errors and omissions, natural disasters, and limited torts for which it carries commercial insurance. There have been no significant reductions in coverage and settlements have not exceeded coverage for the years ended July 31, 2015 and 2014.

**NOTE 7 – Employee Benefit Plan**

The company has established a 401(k) Retirement Plan. The Plan covers all employees who have attained a stated period of service. Participants can contribute a percentage of their compensation to the Plan and receive a matching employer contribution. The Company incurred expenses of \$14,752 and \$0 for the year ended July 31, 2015 and 2014, respectively.

**NOTE 8 – Subsequent Events**

Subsequent events for management's review have been evaluated through October 7, 2015. The date in the prior sentence is the date the financial statements were available to be issued.