

LAWRENCE ARTS CENTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment consist of general operating assets and are recorded at cost. Donated assets are recoded at their estimated fair market value at date of contribution. It is the policy of the Organization 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.

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

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 2020, 2019, and 2018 are subject to examination by the IRS and state taxing authorities. Returns are generally subject to examination for three years after they were filed.

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NOTE 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Cash and cash equivalents

For financial presentation purposes, money market funds and highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents.

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NOTE 1 – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Detail items, such as payroll, bank, audit and business fees, equipment and software, equipment supplies and service, insurance, janitorial, marketing, office supplies, postage, repairs and maintenance, and telephone have been allocated in the statements of functional expenses and grouped based upon overall expense types. This note reflects the groupings of the statements of functional expenses. The expenses are allocated on the basis of estimates of time and effort.

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, 2021 and 2020 totaled \$6,424 and \$4,424 respectively.

NOTE 3 – Restricted Assets

Substantially all of the net assets with donor restrictions as of July 31, 2021 and 2020 consist of donations and grants for the education, exhibition, dance, performing arts programs and for scholarships. During the fiscal year the Center received several grants which are externally restricted for certain purposes.