

**LEXINGTON FRIENDS OF THE ARTS, INC.  
d/b/a  
MUNROE CENTER FOR THE ARTS**

**REVIEWED FINANCIAL STATEMENTS**

**- CORRECTED -**

**YEAR ENDED AUGUST 31, 2012  
AND  
EIGHT MONTHS ENDED AUGUST 31, 2011**

**LEXINGTON FRIENDS OF THE ARTS, INC.  
d/b/a  
MUNROE CENTER FOR THE ARTS**

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AND  
EIGHT MONTHS ENDED AUGUST 31, 2011**

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## **Independent Accountant's Review Report**

To The Board of Directors  
Lexington Friends of the Arts, Inc.  
Lexington, Massachusetts

I have reviewed the accompanying corrected statements of financial position of Lexington Friends of the Arts, Inc. d/b/a Munroe Center for the Arts as of August 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the twelve months ended August 31, 2012 and the eight months ended August 31, 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Respectfully submitted,

Joseph T. Twardy, Jr., CPA LLC

June 27, 2013

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
**MUNROE CENTER FOR THE ARTS**

**CORRECTED STATEMENTS OF FINANCIAL POSITION**  
**TWELVE (12) MONTHS ENDED AUGUST 31, 2012**  
**EIGHT (8) MONTHS ENDED AUGUST 31, 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted		Total	Unrestricted	Temporarily Restricted		Total
		Restricted	Permanently Restricted			Restricted	Permanently Restricted	
<b>Assets:</b>								
Cash:								
Cash on hand	\$ 70,006	\$ 4,000	\$ -	\$ 74,006	\$ 68,327	\$ 4,000	\$ -	\$ 72,327
Board designated funds:								
Building Accessibility Fund	2,958	-	-	2,958	-	-	-	-
Building Restoration Fund (BRF)	46,594	-	-	46,594	-	-	-	-
Emergency Building Fund	10,002	-	-	10,002	-	-	-	-
Total board designated funds	59,554	-	-	59,554	-	-	-	-
Total cash	129,560	4,000	-	133,560	68,327	4,000	-	72,327
Accounts receivable	3,663	-	-	3,663	3,903	-	-	3,903
Security deposits	7,615	-	-	7,615	-	-	-	-
Total current assets	140,838	4,000	-	144,838	72,230	4,000	-	76,230
Equipment, fixtures, improvements	113,014	-	-	113,014	110,814	-	-	110,814
Less: Accumulated depreciation	(84,333)	-	-	(84,333)	(78,896)	-	-	(78,896)
Total fixed assets	28,681	-	-	28,681	31,918	-	-	31,918
Total assets	<u>\$ 169,519</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 173,519</u>	<u>\$ 104,148</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 108,148</u>
<b>Liabilities:</b>								
Accrued expenses	\$ 6,303	\$ -	\$ -	\$ 6,303	\$ -	\$ -	\$ -	\$ -
Prepaid expenses:								
Building restoration fees	1,600	-	-	1,600	-	-	-	-
Rent	-	-	-	-	3,738	-	-	3,738
Tuition	18,233	-	-	18,233	-	-	-	-
Total prepaid expenses	19,833	-	-	19,833	3,738	-	-	3,738
Security deposits	7,615	-	-	7,615	7,259	-	-	7,259
Total liabilities	<u>33,751</u>	<u>-</u>	<u>-</u>	<u>33,751</u>	<u>10,997</u>	<u>-</u>	<u>-</u>	<u>10,997</u>
<b>Net assets:</b>								
Unrestricted	135,768	-	-	135,768	93,151	-	-	93,151
Temporarily restricted	-	4,000	-	4,000	-	4,000	-	4,000
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	<u>135,768</u>	<u>4,000</u>	<u>-</u>	<u>139,768</u>	<u>93,151</u>	<u>4,000</u>	<u>-</u>	<u>97,151</u>
<b>Total liabilities and net assets</b>	<u>\$ 169,519</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 173,519</u>	<u>\$ 104,148</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 108,148</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
**MUNROE CENTER FOR THE ARTS**

**CORRECTED STATEMENTS OF ACTIVITIES**  
**FOR THE TWELVE (12) MONTHS ENDED AUGUST 31, 2012**  
**AND THE EIGHT(8) MONTHS ENDED AUGUST 31, 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Program services:								
Artist studio rentals	\$ 184,625	\$ -	\$ -	\$ 184,625	\$ 119,908	\$ -	\$ -	\$ 119,908
Art education programs	176,513	-	-	176,513	146,353	-	-	146,353
Munroe Saturday Nights	3,517	-	-	3,517	623	-	-	623
Lexington Open Studios	-	-	-	-	3,002	-	-	3,002
Total program services	<u>364,655</u>	<u>-</u>	<u>-</u>	<u>364,655</u>	<u>269,886</u>	<u>-</u>	<u>-</u>	<u>269,886</u>
Additions to								
Board Designated Funds:								
Building restoration fee	27,282	-	-	27,282	23,804	-	-	23,804
Contributions	11,472	-	-	11,472	17,477	-	-	17,477
Fundraising	-	-	-	-	175	-	-	175
Grants	1,000	-	-	1,000	-	-	-	-
Intra-account transfers	185	-	-	185	(1,859)	-	-	(1,859)
Other	450	-	-	450	149	-	-	149
<b>Total revenues</b>	<u>\$ 405,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,044</u>	<u>\$ 309,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,632</u>
<b>Expenses</b>								
Program services	\$ 325,223	\$ -	\$ -	\$ 325,223	\$ 251,067	\$ -	\$ -	\$ 251,067
Support services	37,466	-	-	37,466	14,687	-	-	14,687
<b>Total expenses</b>	<u>\$ 362,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,689</u>	<u>\$ 265,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,754</u>
Change in net assets								
before investment income	42,355	-	-	42,355	43,878	-	-	43,878
Interest income	262	-	-	262	81	-	-	81
<b>Change in net assets</b>	42,617	-	-	42,617	43,959	-	-	43,959
Net assets, beginning of year	93,151	4,000	-	97,151	49,192	4,000	-	53,192
<b>Net assets, end of year</b>	<u>\$ 135,768</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 139,768</u>	<u>\$ 93,151</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 97,151</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
**MUNROE CENTER FOR THE ARTS**

**CORRECTED STATEMENTS OF CASH FLOWS**  
**TWELVE (12) MONTHS ENDED AUGUST 31, 2012**  
**AND EIGHT (8) MONTHS ENDED AUGUST 31, 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Cash flows from operating activities:</u></b>		
Cash received from service recipients	\$ 364,655	\$ 269,886
<i>Less: non-cash art studio rental income:</i>	(31,012)	(24,834)
Cash received for Building Restoration Fund	27,282	23,804
Cash received from contributors	12,472	17,652
Interest income	262	80
Intra-account Transfers	185	(1,859)
Other	450	149
Cash paid to employees, instructors and suppliers	(310,856)	(237,314)
Interest expense	(5)	(5)
Net cash provided by (used for) operating activities	<u>63,433</u>	<u>47,561</u>
<b><u>Cash flows from investing activities:</u></b>		
Leasehold improvements	(2,200)	-
Net cash provided by (used for) investing activities	<u>(2,200)</u>	<u>-</u>
<b><u>Cash flows from financing activities:</u></b>		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b><u>Net increase (decrease) in cash</u></b>	61,233	47,561
Cash, beginning of year	<u>72,327</u>	<u>24,767</u>
<b><u>Cash, end of year</u></b>	<u>\$ 133,560</u>	<u>\$ 72,327</u>
<b><u>Reconciliation of changes in net assets to net cash used for operating activities:</u></b>		
Change in net assets	\$ 42,617	\$ 43,959
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	5,437	2,555
Decrease in accounts receivable	241	(2,845)
(Increase) in other current assets	(7,615)	-
Increase in accrued expenses	6,303	-
Increase in prepaid expenses	16,094	3,738
Increase in security deposits	356	153
<b><u>Cash provided by operating activities</u></b>	<u>\$ 63,433</u>	<u>\$ 47,561</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
**MUNROE CENTER FOR THE ARTS**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE TWELVE (12) MONTHS ENDED AUGUST 31, 2012**  
**AND THE EIGHT(8) MONTHS ENDED AUGUST 31, 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Program services:</b>								
Artist studio rentals:								
Rent	\$ 24,000	\$ -	\$ -	\$ 24,000	\$ 16,000	\$ -	\$ -	\$ 16,000
Utilities	49,845	-	-	49,845	45,039	-	-	45,039
Maintenance & repairs	38,362	-	-	38,362	32,656	-	-	32,656
Insurance	-	-	-	-	1,603	-	-	1,603
Depreciation	5,437	-	-	5,437	2,476	-	-	2,476
Other	184	-	-	184	267	-	-	267
Total artist studio rentals	<u>117,828</u>	<u>-</u>	<u>-</u>	<u>117,828</u>	<u>98,041</u>	<u>-</u>	<u>-</u>	<u>98,041</u>
Art education programs	<u>93,130</u>	<u>-</u>	<u>-</u>	<u>93,130</u>	<u>70,200</u>	<u>-</u>	<u>-</u>	<u>70,200</u>
Art education administration:								
Management and general	65,397	-	-	65,397	42,971	-	-	42,971
Rent	31,012	-	-	31,012	24,834	-	-	24,834
Depreciation	-	-	-	-	80	-	-	80
Promotional	6,599	-	-	6,599	4,942	-	-	4,942
Other:	1,737	-	-	1,737	4,471	-	-	4,471
Total art education admin.	<u>104,745</u>	<u>-</u>	<u>-</u>	<u>104,745</u>	<u>77,298</u>	<u>-</u>	<u>-</u>	<u>77,298</u>
Programs & outreach:								
Lexington Open Studios	1,257	-	-	1,257	4,193	-	-	4,193
Munroe Gallery	14	-	-	14	966	-	-	966
Munroe Saturday Nights	7,632	-	-	7,632	248	-	-	248
Open house	339	-	-	339	-	-	-	-
Miscellaneous and Other	278	-	-	278	121	-	-	121
Total, programs & outreach	<u>9,521</u>	<u>-</u>	<u>-</u>	<u>9,521</u>	<u>5,528</u>	<u>-</u>	<u>-</u>	<u>5,528</u>
Total program services	<u>325,223</u>	<u>-</u>	<u>-</u>	<u>325,223</u>	<u>251,067</u>	<u>-</u>	<u>-</u>	<u>251,067</u>
<b>Support services:</b>								
Management and general	11,818	-	-	11,818	5,746	-	-	5,746
Fundraising	3,354	-	-	3,354	914	-	-	914
Consultants & professional fees	6,866	-	-	6,866	248	-	-	248
Credit card processing fees	2,226	-	-	2,226	-	-	-	-
Liability insurance	3,827	-	-	3,827	1,821	-	-	1,821
Telephone	3,529	-	-	3,529	1,713	-	-	1,713
Other	5,846	-	-	5,846	4,245	-	-	4,245
Total support services	<u>37,466</u>	<u>-</u>	<u>-</u>	<u>37,466</u>	<u>14,687</u>	<u>-</u>	<u>-</u>	<u>14,687</u>
<b>Total expenses</b>	<u>\$ 362,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,689</u>	<u>\$ 265,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,754</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
**MUNROE CENTER FOR THE ARTS**

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NOTES TO CORRECTED FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Organization**

The Lexington Friends of the Arts, Inc., d/b/a Munroe Center for the Arts (the "Munroe Center"), was organized on April 8, 1994 and incorporated as a charitable organization under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts. The Munroe Center is a nonprofit organization as described in §501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**2. Nature of Activities**

The mission of the Munroe Center is to further the cultural and artistic education of the residents of Lexington, Massachusetts by running a community arts center, teaching visual and performing arts education classes, providing low-cost studio space for community artists, operating a gallery, and organizing community arts-related events.

**3. Standard of Accounting and Reporting**

The Munroe Center prepares its financial statements utilizing the accrual method of accounting.

The financial statements are prepared in accordance with SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, an organization's net assets (excess of its assets over its liabilities) and its revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. SFAS No. 117 also requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the Statement of Financial Position, and that the amounts of change in each of those classes of net assets be displayed in the Statement of Activities.

**4. Contributions and Donor Restrictions**

The Munroe Center reports contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Use-restricted contributions are reported as restricted support, if received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. Either temporarily or permanently restricted net assets are increased, as appropriate.



**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
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NOTES TO CORRECTED FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd.)***

**4. Contributions and Donor Restrictions *(cont'd.)***

When donor restrictions expire, either by use of funds for the specified purpose or by expiration of time restrictions, temporarily restricted net assets are reclassified as unrestricted and reported in the statement of activities as net assets released from restrictions.

**5. Estimates**

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets at the date of the financial statements and reported amounts of revenue and expenditures for the reporting period. Actual results may differ from these estimates.

**6. Cash Equivalents**

For purposes of the statement of cash flows, the Munroe Center considers cash equivalents to include highly liquid investments with an original maturity of three months or less.

The Munroe Center maintains cash accounts at various financial institutions and from time to time balances can exceed the federally insured limits. All cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to a limit of \$250,000 per account. Balances at August 31, 2012 and 2011 did not exceed the FDIC limit.

**7. Property and Equipment**

Furniture, fixtures, equipment and leasehold improvements are stated at cost. Amounts of \$500 or more are capitalized. Depreciation is computed based on the useful life for each asset type using the straight-line method and the half-year convention.

**8. Allocation of Expenses**

The Munroe Center allocates general expenses to the program services from management and general expenses, utilizing best estimates and judgments as to how programs and supporting services benefited from such expenses.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
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NOTES TO CORRECTED FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

**B. CHANGE OF FISCAL YEAR**

During 2011, the Board of Directors voted to change the organization's fiscal year to end on August 31 instead of December 31. Since school-age children are a key constituency of the Munroe Center's ArtSpan programs, this change aligned the Munroe Center's fiscal year with the Commonwealth of Massachusetts' public school year.

Throughout these financial statements, the term "FY2012" will refer to the twelve-month fiscal year from September 1, 2011 through August 31, 2012. The term "FY2011" will refer to the shortened eight-month fiscal year from January 1, 2011 through August 31, 2011.

**C. BOARD DESIGNATED FUNDS**

During FY2012, the Board of Directors voted to transfer cash from its operating accounts to establish reserve savings accounts set aside for specific long-range purposes, as determined by the Board. Three funds were established: the Building Accessibility, Building Restoration, and Emergency Building Funds. The balances in these accounts were \$2,958, \$46,594 and \$10,002, respectively, at August 31, 2012.

**D. SECURITY DEPOSITS**

The Munroe Center assessed each art studio tenant a refundable security deposit to offset the costs to repair wear or damage caused by the tenant during the term of their studio rental. The Security Deposits balance was adjusted to reflect the security deposits actually received, plus any accrued interest. This adjustment resulted in intra-fund transfer income (loss) of \$185 and \$(1,859) in FY2012 and FY2011, respectively, as the result of a one-time reclassification of tenant security deposits in accordance with U.S. generally accepted accounting principles, and in compliance with Massachusetts General Laws c. 186, §15B, paragraph 2(a).

**E. TEMPORARILY RESTRICTED NET ASSETS**

During FY2010, the Munroe Center received a contribution of \$4,000 from one donor with the restriction that these funds were to be used to purchase equipment for a new program, "Munroe Saturday Nights". The Munroe Center launched Munroe Saturday Nights during FY2012. It is anticipated that the donor will release these funds from restriction during FY2013.

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NOTES TO CORRECTED FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

**F. PERMANENTLY RESTRICTED NET ASSETS**

The Munroe Center did not record any Permanently Restricted Net Assets during FY2012 or FY2011.

**G. PARTICIPANT FEE INCOME**

The Munroe Center assessed each program participant an administrative fee of \$25 per year. Such administrative fees were set aside into the Building Restoration Fund (the "Fund"), an account established to improve, maintain, or repair the Premises, as determined by the Munroe Center's Board of Directors. The Fund received contributions of \$27,282 and \$23,804 in FY2012 and FY2011, respectively.

**H. LICENSE TO USE PROPERTY**

The Town of Lexington granted the Munroe Center the right to use the town property located at 1403 Massachusetts Avenue, Lexington, MA 02420, which includes the building known as the Munroe School (collectively, the "Premises"), under a written License Agreement (the "License").

The License commenced on October 1, 2008, and was formally signed by both parties on June 11, 2009. The terms of the License required the Munroe Center to pay the Town a license fee of \$24,000 per year, payable in monthly installments of \$2,000 for the duration of the License.

The Munroe Center was also required, at its sole cost and expense, to maintain, repair and clean the Premises and keep the Premises in good order, repair and condition, as provided under Section 5, "Maintenance, Repair and Cleaning".

This obligation included the procurement of all heat, water, gas and other utilities necessary for the operation of the Premises, and maintenance and repair of the Munroe School plumbing, interior walls, floors and ceilings subject to wear and tear in the ordinary course of use. However, terms of the License also provided that the Munroe Center was not obligated to make structural repairs or replacements or major capital repairs to the Premises.

The License expired on February 1, 2010. Thereafter, the Town of Lexington agreed to a series of consecutive 90-day extensions of the License, through November 1, 2012, as provided under Section 2, "Term and Termination" of the License.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
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NOTES TO CORRECTED FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

**I. FACILITIES MANAGEMENT**

The Munroe Center entered into an agreement with D.C. Contracting (the "Facilities Maintenance Coordinator") of Lexington, MA, on November 19, 2010 to provide facilities management services for the Premises. The terms of the agreement required the Munroe Center to pay D.C. Contracting a fee of \$10,800 per year, payable in monthly installments of \$900 for the duration of the agreement. Facilities Management expense was \$10,700 and \$7,200 in FY2012 and FY2011, respectively.

**J. OPERATING EXPENSES**

**1. License**

License expense was \$24,000 and \$16,000 in FY2012 and FY2011, respectively.

**2. Utilities**

Utilities expense was \$49,845 and \$45,039 in FY2012 and FY2011, respectively. These amounts included heating oil expense of \$30,360 and \$31,335 in FY2012 and FY2011, respectively. The heating oil expense in FY2011 was due to a significant increase in the price per gallon for heating oil during the 2010-11 winter heating season, combined with increased demand as the result of harsher winter weather.

**3. Repairs**

Repairs expense was \$38,362 and \$32,656 in FY2012 and FY2011, respectively.

**4. Depreciation**

Depreciation expense was \$5,437 and \$2,555 in FY2012 and FY2011, respectively.

**K. NON-CASH TRANSACTIONS**

The Munroe Center's Art Studio Rental program entered into an agreement with ArtSpan, the Munroe Center's arts program for children, to assess a charge to cover ArtSpan's use of the Munroe Center's facilities and equipment during the year. This charge was recorded monthly through an accounting journal entry to rent income for the Art Studio Rental program, and to rent expense for ArtSpan. No cash receipts or payments were recorded.

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
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NOTES TO CORRECTED FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

The Art Studio Rental income and the corresponding ArtSpan rent expense were \$31,012 and \$24,834 in FY2012 and FY2011, respectively. These amounts included a heating oil surcharge of \$2,156 and \$2,250 in FY2012 and FY2011, respectively.

**L. CORRECTIONS TO CURRENT YEARS' FINANCIAL TRANSACTIONS**

The Munroe Center's FY2012 and FY2011 Corrected Financial Statements and Notes to the Corrected Financial Statements, presented here, are based upon the results and recommendations of an AICPA Peer Review that was conducted during February 2013.

Certain Net Assets that had been previously classified as Temporarily Restricted or Permanently Restricted Net Assets in both FY2012 and FY2011 were in fact board-designated funds that had been set-aside for specific long-range purposes. Since there were no donor-imposed restrictions placed on these funds, they have been reclassified as Unrestricted Net Assets in the Corrected Financial Statements.

The amounts reported for total Revenue, Functional Expenses, Assets, Liabilities and Net Assets for both FY2012 and FY2011 did not change.

A summary of these corrections is as follows:

**Statements of Financial Position**

<b><u>Account</u></b>	<b><u>FY2012</u></b>			<b><u>FY2011</u></b>		
	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>
Cash (unrestricted)	\$129,560	\$ +59,554	+85.1%	\$68,327	\$ (4,000)	(5.5%)
Cash (temporarily restricted)	4,000	(42,594)	(91.4%)	4,000	+4,000	N/M
Cash (permanently restricted)	<u>0</u>	<u>(16,960)</u>	(100.0%)	<u>0</u>	<u>0</u>	0.0%
Total cash	133,560	0	0.0%	72,327	0	0.0%
Unrestricted net assets	\$135,768	\$ +59,554	+78.1%	\$93,151	\$ (4,000)	(4.1%)
Temporarily restricted net assets	4,000	(42,594)	(91.4%)	4,000	+4,000	N/M
Permanently restricted net assets	<u>0</u>	<u>(16,960)</u>	(100.0%)	<u>0</u>	<u>0</u>	0.0%
Total net assets	139,768	0	0.0%	97,151	0	0.0%

**LEXINGTON FRIENDS OF THE ARTS, INC.**  
**d/b/a**  
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NOTES TO CORRECTED FINANCIAL STATEMENTS  
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**Statements of Activities**

<b><u>Account</u></b>	<b><u>FY2012</u></b>			<b><u>FY2011</u></b>		
	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>
Additions to:						
Board designated funds:						
- Building restoration fee (Unrestricted)	\$ 27,282	\$ +27,282	N/M	\$ 23,804	\$ +23,804	N/M
Additions to net assets:						
- Building restoration fee (Unrestricted)	0	0	0.0%	0	(12,271)	(100.0%)
(Temporarily restricted)	0	(27,282)	(100.0%)	0	(4,575)	(100.0%)
(Permanently restricted)	0	0	0.0%	0	(6,958)	(100.0%)
Total revenues						
(Unrestricted)	405,044	+27,282	7.2%	309,632	11,533	3.9%
(Temporarily restricted)	0	(27,282)	(100.0%)	0	(4,575)	(100.0%)
(Permanently restricted)	0	0	0.0%	0	(6,958)	(100.0%)
Change in net assets before investment income:						
(Unrestricted)	\$ 42,355	\$ +27,282	181.0%	\$ 43,878	\$ 11,533	35.7%
(Temporarily restricted)	0	(27,282)	(100.0%)	0	(4,575)	(100.0%)
(Permanently restricted)	0	0	0.0%	0	(6,958)	(100.0%)
Interest income						
(Unrestricted)	262	9	3.6%	81	0	0.0%
(Temporarily restricted)	0	(7)	(100.0%)	0	0	0.0%
(Permanently restricted)	<u>0</u>	<u>(2)</u>	(100.0%)	<u>0</u>	<u>0</u>	0.0%
Change in net assets						
(Unrestricted)	42,617	27,291	178.1%	43,959	11,533	35.7%
(Temporarily restricted)	0	(27,289)	(100.0%)	0	(4,575)	(100.0%)
(Permanently restricted)	0	(2)	(100.0%)	0	(6,958)	(100.0%)
Net assets, beginning of year						
(Unrestricted)	93,151	32,263	53.0%	49,192	20,730	72.8%
(Temporarily restricted)	4,000	(15,305)	(79.3%)	4,000	(10,730)	(72.8%)
(Permanently restricted)	<u>0</u>	<u>(16,958)</u>	(100.0%)	<u>0</u>	<u>(10,000)</u>	(100.0%)
Net assets, end of year						
(Unrestricted)	135,768	59,554	78.1%	93,151	32,263	53.0%
(Temporarily restricted)	4,000	(42,594)	(91.4%)	4,000	(15,305)	(79.3%)
(Permanently restricted)	0	(16,960)	(100.0%)	0	(16,958)	(100.0%)

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NOTES TO CORRECTED FINANCIAL STATEMENTS  
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**Statements of Cash Flows**

<b><u>Account</u></b>	<b><u>FY2012</u></b>			<b><u>FY2011</u></b>		
	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>
<b><u>Cash flows from operating activities:</u></b>						
- Cash paid to employees, instructors and suppliers	\$(310,856)	\$ 68,991	18.2%	\$(237,314)	\$ 2,555	0.0%
- Interest income	262	<u>9</u>	3.6%	81	<u>0</u>	0.0%
Net cash provided by (used for) operating activities	63,433	69,000	1,239.4%	47,561	2,555	5.7%
<b><u>Cash flows from investing activities:</u></b>						
- Leasehold improvements	(2,200)	(5,437)	(140.4%)	0	(2,555)	(100.0%)
Net cash provided by (used for) investing activities	(2,200)	(5,437)	(140.4%)	0	(2,555)	(100.0%)
<b><u>Cash flows from financing activities:</u></b>						
- Interest income	0	(9)	(100.0%)	0	0	N/M
Net cash provided by (used for) financing activities	<u>0</u>	<u>(9)</u>	(100.0%)	<u>0</u>	<u>0</u>	N/M
Net increase in cash	61,233	63,554	2,738.2%	47,561	0	N/M
Cash, end of year	133,560	63,554	90.8%	72,327	0	N/M
<b><u>Reconciliation of changes in net assets to net cash used for operating activities:</u></b>						
- Depreciation	\$ 5,437	\$ 5,437	N/M	\$ 2,555	\$ 2,555	N/M
- (Increase) in interest income	0	9	(100.0%)	0	0	0.0%
- (Increase) in other current assets	(7,615)	<u>63,554</u>	89.3%	0	<u>0</u>	0.0%
Cash provided by (used for) operating activities	63,433	69,000	1,239.4%	47,561	2,555	5.7%

**Statements of Functional Expenses**

No corrections were necessary.

All of the financial information presented in the FY2012 and FY2011 Corrected Financial Statements, the Notes to the FY2012 and FY2011 Corrected Financial Statements, and the FY2012 Amended Form 990 Return of Organization Exempt from Income Tax reflects the corrected FY2012 and FY2011 amounts, as presented above.

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NOTES TO CORRECTED FINANCIAL STATEMENTS  
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**M. CORRECTIONS TO PRIOR YEARS' FINANCIAL TRANSACTIONS**

During preparation of the Munroe Center's FY2012 Financial Statements, it was discovered that information presented in the FY2011 and 2010 Financial Statements was derived from "cash basis" financial reports, rather than "accrual basis" financial reports. Certain amounts were understated (or overstated) by \$3,903 and \$2,845 during FY2011 and \$1,058 during 2010. These amounts were immaterial with respect to the overall financial results of The Munroe Center. According to GAAP, preparing corrected Financial Statements or amended Form 990 income tax returns are not required.

A summary of these corrections is as follows:

**Statements of Financial Position**

<b>Account</b>	<b><u>FY2011</u></b>			<b><u>2010</u></b>		
	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>
Accounts receivable	\$ 3,903	\$ +3,903	N/M	\$ 1,058	\$ +1,058	N/M
Total current assets	76,230	+3,903	+5.4%	25,825	+1,058	+4.3%
Total assets	108,148	+3,903	+3.7%	60,298	+1,058	+1.8%
Unrestricted net assets	\$ 93,151	\$ +3,903	+4.4%	\$ 49,192	\$ +1,058	+2.2%
Total net assets	97,151	+3,903	+4.2%	53,192	+1,058	+2.0%
Total liabilities and net assets	108,148	+3,903	+3.7%	60,298	+1,058	+1.8%

**Statements of Activities**

<b>Account</b>	<b><u>FY2011</u></b>			<b><u>2010</u></b>		
	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>
Program services:						
- Artist studio rentals	\$119,908	\$ +2,845	0.0%	\$163,897	\$ +1,058	0.0%
Total program services	269,886	+2,845	0.0%	339,716	+1,058	0.0%
Total revenues	309,632	+2,845	0.0%	392,542	+1,058	0.0%
Change in net assets	\$ 43,959	\$ +2,845	+6.9%	\$ (48,685)	\$ +1,058	(2.2%)
Net assets, beginning of year	<u>53,192</u>	<u>+1,058</u>	+2.0%	<u>101,877</u>	<u>0</u>	0.0%
Net assets, end of year	97,151	+3,903	+4.2%	53,192	+1,058	+2.0%



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**Statements of Cash Flows**

<b><u>Account</u></b>	<b><u>FY2011</u></b>			<b><u>2010</u></b>		
	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>	<b><u>Corrected Amount</u></b>	<b><u>Change \$</u></b>	<b><u>Change %</u></b>
<u>Cash flows from operating activities:</u>						
- Cash received from service recipients	\$269,886	\$ +2,845	0.0%	\$339,716	\$ +1,058	0.0%
- Cash paid to employees, instructors and suppliers	(237,314)	<u>(2,845)</u>	(0.0%)	(388,247)	<u>(1,058)</u>	(0.0%)
Net cash provided by (used for) operating activities	47,561	0	0.0%	(33,579)	0	0.0%
<u>Reconciliation of changes in net assets to net cash used for operating activities:</u>						
- Change in net assets	\$ 43,959	\$ +2,845	+6.9%	\$(48,685)	\$ +1,058	(2.2%)
- (Increase) in accounts receivable	(2,845)	<u>(2,845)</u>	0.0%	(1,058)	<u>(1,058)</u>	0.0%
Cash provided by (used for) operating activities	47,561	0	0.0%	(33,579)	0	0.0%

**Statements of Functional Expenses**

No corrections were necessary.

All of the financial information presented in the FY2012 Financial Statements, the Notes to the FY2012 Financial Statements, and the FY2012 Form 990 Return of Organization Exempt from Income Tax reflects the corrected FY2011 and 2010 amounts, as presented above.