

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

REVIEWED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2015 AND 2014

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

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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 statements of financial position of Lexington Friends of the Arts, Inc. d/b/a Munroe Center for the Arts as of August 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended. 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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America.

Respectfully submitted,



CPA, LLC

Joseph T. Twardy, Jr., CPA LLC

November 3, 2015

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

STATEMENTS OF FINANCIAL POSITION
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015				2014			
	Temporarily		Permanently		Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total	Unrestricted	Restricted	Restricted	Total
Assets:								
Cash:								
Cash on hand	\$ 72,786	\$ -	\$ -	\$ 72,786	\$ 58,844	\$ -	\$ -	\$ 58,843
Board designated funds:								
Building Restoration Fund (BRF)	119,532	-	-	119,532	96,198	-	-	96,198
Emergency Building Fund	10,001	-	-	10,001	10,002	-	-	10,002
Sullivan Programming Reserve	21,548	-	-	21,548	24,151	-	-	24,151
Total board designated funds	<u>151,081</u>	<u>-</u>	<u>-</u>	<u>151,081</u>	<u>130,351</u>	<u>-</u>	<u>-</u>	<u>130,351</u>
Total cash	223,867	-	-	223,867	189,195	-	-	189,195
Accounts receivable	651	-	-	651	121	-	-	121
Prepaid expenses	1,925	-	-	1,925	4,813	-	-	4,813
Security deposits	7,998	-	-	7,998	8,100	-	-	8,100
Total current assets	<u>234,441</u>	<u>-</u>	<u>-</u>	<u>234,441</u>	<u>202,229</u>	<u>-</u>	<u>-</u>	<u>202,229</u>
Equipment, fixtures, improvements	189,543	-	-	189,543	164,287	-	-	164,287
Less: Accumulated depreciation	<u>(100,404)</u>	<u>-</u>	<u>-</u>	<u>(100,404)</u>	<u>(94,106)</u>	<u>-</u>	<u>-</u>	<u>(94,106)</u>
Total fixed assets	<u>89,139</u>	<u>-</u>	<u>-</u>	<u>89,139</u>	<u>70,181</u>	<u>-</u>	<u>-</u>	<u>70,181</u>
Total assets	<u>\$ 323,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,580</u>	<u>\$ 272,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,410</u>
Liabilities:								
Accounts payable	\$ 2,325	\$ -	\$ -	\$ 2,325	\$ 42	\$ -	\$ -	\$ 42
Accrued expenses	5,578	-	-	5,578	89	-	-	89
Deferred revenue:								
Building restoration fees	3,325	-	-	3,325	2,300	-	-	2,300
Contributions	-	-	-	-	1,266	-	-	1,266
Tuition	26,271	-	-	26,271	28,456	-	-	28,456
Total deferred revenue	<u>29,596</u>	<u>-</u>	<u>-</u>	<u>29,596</u>	<u>32,022</u>	<u>-</u>	<u>-</u>	<u>32,022</u>
Security deposits	7,998	-	-	7,998	8,100	-	-	8,100
Total liabilities	<u>45,497</u>	<u>-</u>	<u>-</u>	<u>45,497</u>	<u>40,253</u>	<u>-</u>	<u>-</u>	<u>40,253</u>
Net assets:								
Unrestricted	278,083	-	-	278,083	232,158	-	-	232,158
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	<u>278,083</u>	<u>-</u>	<u>-</u>	<u>278,083</u>	<u>232,158</u>	<u>-</u>	<u>-</u>	<u>232,158</u>
Total liabilities and net assets	<u>\$ 323,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,580</u>	<u>\$ 272,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,411</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 ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Program services:								
Artist studio rentals	\$ 182,120	\$ -	\$ -	\$ 182,120	\$ 194,418	\$ -	\$ -	\$ 194,418
Art education programs	279,722	-	-	279,722	234,221	-	-	234,221
Munroe Saturday Nights	7,316	-	-	7,316	7,993	-	-	7,993
Total program services	469,158	-	-	469,158	436,632	-	-	436,632
Additions to Board Designated Funds:								
Building restoration fee	31,515	-	-	31,515	29,494	-	-	29,494
Contributions	9,142	-	-	9,142	7,844	-	-	7,844
Total revenues	<u>\$ 509,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 509,815</u>	<u>\$ 473,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,970</u>
Expenses								
Program services	\$ 405,325	\$ -	\$ -	\$ 405,325	\$ 378,639	\$ -	\$ -	\$ 378,639
Support services	55,968	-	-	55,968	53,149	-	-	53,149
Total expenses	<u>\$ 461,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,293</u>	<u>\$ 431,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,788</u>
Change in net assets before investment income	48,522	-	-	48,522	42,182	-	-	42,182
Interest income	142	-	-	142	92	-	-	92
Change in net assets	48,664	-	-	48,664	42,274	-	-	42,274
Net assets, beginning of year	187,574	-	-	187,574	145,300	-	-	145,300
Net assets, end of year	<u>\$ 236,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,238</u>	<u>\$ 187,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,574</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 CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash flows from operating activities:</u>		
Cash received from service recipients	\$ 469,158	\$ 436,632
<i>Less: non-cash art studio rental income:</i>	(34,739)	(36,456)
Cash received for Building Restoration Fund	31,515	29,494
Cash received from contributors	9,142	7,844
Interest income	142	92
Cash paid to employees, instructors and suppliers:	(461,293)	(431,788)
<i>Add: non-cash expenses:</i>		
<i>Art studio rental expenses</i>	34,739	36,456
<i>Depreciation</i>	6,299	5,284
(Increase) decrease in current assets	(18,270)	(14,295)
Increase (decrease) in current liabilities	5,243	9,754
Net cash provided by (used for) operating activities	<u>41,936</u>	<u>43,017</u>
<u>Cash flows from investing activities:</u>		
Leasehold improvements	(21,156)	(11,890)
Land improvements	(4,100)	-
Purchases of equipment	-	(4,029)
Net cash (used for) investing activities	<u>(25,256)</u>	<u>(15,919)</u>
<u>Cash flows from financing activities:</u>		
Increase (decrease) in unrestricted net assets	(2,738)	1,967
Net cash provided by (used for) financing activities	<u>(2,738)</u>	<u>1,967</u>
<u>Net increase (decrease) in cash</u>	13,942	29,065
Cash, beginning of year	58,844	29,779
<u>Cash, end of year</u>	<u>\$ 72,786</u>	<u>\$ 58,844</u>
<u>Reconciliation of changes in net assets to net cash used for operating activities:</u>		
Change in net assets	\$ 48,664	\$ 42,274
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	6,299	5,284
(Increase) decrease in current assets:		
Accounts receivable	(530)	1,490
Board-designated funds	(20,730)	(15,346)
Loans receivable	-	2,397
Prepaid expenses	2,888	(3,777)
Security deposits	102	941
(Increase) in current assets	(18,270)	(14,295)
Increase (decrease) in current liabilities:		
Accounts payable	2,282	(3,371)
Accrued expenses	5,489	(1,170)
Deferred revenue	(2,426)	15,236
Security deposits	(102)	(941)
Increase (decrease) in current liabilities	5,243	9,754
<u>Cash provided by operating activities</u>	<u>\$ 41,936</u>	<u>\$ 43,017</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest expense	-	-
Income taxes	-	-

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 YEARS ENDED AUGUST 31, 2015 AND 2014

	2015				2014			
	Temporarily		Permanently		Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total	Unrestricted	Restricted	Restricted	Total
Program services:								
Artist studio rentals:								
Rent	\$ 24,000	\$ -	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ -	\$ 24,000
Utilities	36,900	-	-	36,900	39,217	-	-	39,217
Design & planning	928	-	-	928	-	-	-	-
Licenses & permits	40	-	-	40	-	-	-	-
Maintenance & repairs	92,013	-	-	92,013	87,598	-	-	87,598
Depreciation	4,403	-	-	4,403	3,642	-	-	3,642
Other	-	-	-	-	-	-	-	-
Total artist studio rentals	<u>158,284</u>	<u>-</u>	<u>-</u>	<u>158,284</u>	<u>154,457</u>	<u>-</u>	<u>-</u>	<u>154,457</u>
Art education programs	<u>124,148</u>	<u>-</u>	<u>-</u>	<u>124,148</u>	<u>107,467</u>	<u>-</u>	<u>-</u>	<u>107,467</u>
Art education administration:								
Management and general	54,846	-	-	54,846	54,608	-	-	54,608
Rent	34,739	-	-	34,739	36,456	-	-	36,456
Promotion	3,811	-	-	3,811	4,721	-	-	4,721
Depreciation	1,895	-	-	1,895	1,642	-	-	1,642
Other	13,958	-	-	13,958	8,837	-	-	8,837
Total art education admin.	<u>109,249</u>	<u>-</u>	<u>-</u>	<u>109,249</u>	<u>106,264</u>	<u>-</u>	<u>-</u>	<u>106,264</u>
Fundraising	<u>196</u>	<u>-</u>	<u>-</u>	<u>196</u>	<u>1,792</u>	<u>-</u>	<u>-</u>	<u>1,792</u>
Programs & outreach:								
Lexington Open Studios	163	-	-	163	354	-	-	354
Munroe Gallery	-	-	-	-	13	-	-	13
Munroe Saturday Nights	12,687	-	-	12,687	7,910	-	-	7,910
Open House	598	-	-	598	383	-	-	383
Total, programs & outreach	<u>13,448</u>	<u>-</u>	<u>-</u>	<u>13,448</u>	<u>8,660</u>	<u>-</u>	<u>-</u>	<u>8,660</u>
Total program services	<u>405,325</u>	<u>-</u>	<u>-</u>	<u>405,325</u>	<u>378,639</u>	<u>-</u>	<u>-</u>	<u>378,639</u>
Support services:								
Management and general	36,956	-	-	36,956	33,151	-	-	33,151
Consultants & professional fees	5,056	-	-	5,056	5,394	-	-	5,394
Credit card processing fees	420	-	-	420	293	-	-	293
Liability insurance	4,620	-	-	4,620	4,396	-	-	4,396
Office Supplies	759	-	-	759	1,331	-	-	1,331
Payroll Service Charges	2,131	-	-	2,131	2,764	-	-	2,764
Telephone	2,781	-	-	2,781	3,056	-	-	3,056
Other	3,245	-	-	3,245	2,764	-	-	2,764
Total support services	<u>55,968</u>	<u>-</u>	<u>-</u>	<u>55,968</u>	<u>53,149</u>	<u>-</u>	<u>-</u>	<u>53,149</u>
Total expenses	<u>\$ 461,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,293</u>	<u>\$ 431,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,788</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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Lexington Friends of the Arts, Inc., d/b/a Munroe Center for the Arts (the "Munroe Center" or the "Organization"), 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 Organization 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. Basis of Presentation

The Organization prepares its financial statements utilizing the accrual method of accounting in accordance with generally accepted accounting principles adapted in the United States of America (US GAAP).

4. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

5. Net Assets

The financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117 (ASC 958-205), "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, an organization's net assets (excess of its assets over its liabilities) and

LEXINGTON FRIENDS OF THE ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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

5. Net Assets *(cont'd.)*

its revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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 expire neither by actions of the Organization nor the passage of time.

SFAS No. 117 also requires that the amounts for each of the three classes of net assets – unrestricted, temporarily restricted, and permanently restricted – 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.

All revenues are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

6. Cash Equivalents

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

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, 2015 and 2014 did not exceed the FDIC limit.

LEXINGTON FRIENDS OF THE ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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

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. Contributions and Donor Restrictions

Munroe Center reports contributions in accordance with SFAS No. 116 (ASC 958-605), "Accounting for Contributions Received and Contributions Made." Contributions are recognized as revenues when received. All contributions are reported as increases in unrestricted net assets, unless use of the contributed assets are specifically restricted by the donors. Amounts received that are restricted by the donors to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction.

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.

9. Donated Services

The accompanying financial statements include no amounts for the substantial amounts of donated services performed by both directors and volunteers to the Organization, as there is no objective method available to calculate the value of these services. These services include fundraising, program development, marketing, outreach and management.

10. Deferred Revenue

Income from ArtSpan, the Munroe Center's arts program for children, is recognized in the fiscal year in which the related Program is conducted. Sponsorships, donations and advertising received for future Programs are reported as deferred sponsorships, donations and advertising, respectively.

LEXINGTON FRIENDS OF THE ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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

11. Allocation of Expenses

The Organization 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.

B. COMPENSATED ABSENCES

The Organization employed 48 individuals during FY2015 and FY2014. Two of these individuals were employed in permanent, full-time or part-time positions that included fringe benefits (i.e., health insurance, vacation, sick pay or personal time) as part of their compensation packages. Both of these individuals used up all vacation and sick pay earned in FY2015 and FY2014 during those fiscal years, respectively.

The other 46 individuals were employed in part-time positions that did not include any fringe benefits as part of their compensation packages.

Therefore, compensated absences for vacation, sick pay and personal time have not been accrued.

C. DONOR-DESIGNATED GRANTS

The Organization has received grants from various foundations and charitable trusts to conduct its outreach and educational activities. The terms of some of the grants may require such funds to be segregated from other Organization funds.

D. NET ASSETS

1. Unrestricted Net Assets

Unrestricted Net Assets were \$278,083 and \$232,158 at August 31, 2015 and 2014, respectively.

2. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets were \$0 at August 31, 2015 and 2014.

3. Permanently Restricted Net Assets

Permanently Restricted Net Assets were \$0 at August 31, 2015 and 2014.

LEXINGTON FRIENDS OF THE ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

E. BOARD DESIGNATED FUNDS

The Organization established several reserve savings accounts set aside to fund specific long-range purposes, as determined by the Munroe Center's Board of Directors. The balances in these funds at August 31, 2015 and 2014 were as follows:

<u>Fund</u>	<u>FY2015</u>	<u>FY2014</u>
Building Restoration Fund	\$119,532	\$ 96,198
Emergency Building Fund	10,001	10,002
Sullivan Programming Reserve Fund	<u>21,548</u>	<u>24,151</u>
Total	\$151,081	\$130,351

F. 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, in accordance with accounting principles generally accepted in the United States of America, and in compliance with Massachusetts General Laws, c. 186, §15B, paragraph 2(a).

G. PARTICIPANT FEE INCOME

The Organization 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 \$31,515 and \$29,494 in FY2015 and FY2014, respectively.

H. FUNDRAISING EXPENSES

Fundraising expenses were \$196 and \$1,792 during FY2015 and FY2014, respectively.

I. INTEREST EXPENSE

Interest expense was \$0 in both FY2015 and FY2014.

LEXINGTON FRIENDS OF THE ARTS, INC.
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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

J. COMMITMENTS AND CONTINGENCIES

1. 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, 2015, as provided under Section 2, "Term and Termination" of the License.

2. Facilities Management

The Munroe Center entered into an employment agreement with James McFeely of Billerica, MA, on December 9, 2013 to serve as the permanent, part-time "Facilities Maintenance Coordinator" for the Premises.

Facilities Management expense was \$10,419 and \$9,942 in FY2015 and FY2014, respectively.

3. Energy Improvements

The Munroe Center entered into three agreements with AECOM of Boston, MA, a subcontractor for Eversource (f/k/a NStar Electric), on October 29, 2014 to install energy efficient lighting fixtures and bulbs throughout the Premises.

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

J. **COMMITMENTS AND CONTINGENCIES** *(cont'd.)*

3. **Energy Improvements** *(cont'd.)*

These projects would yield an estimated annual energy cost savings of \$2,905 to the Organization, with a simple payback of 2.1 years.

The total costs of these projects was \$6,212. AECOM agreed to provide the Organization with twelve months of interest-free financing. Upon completion of the installations in April 2015, the Munroe Center began making monthly payments of \$518, and had paid a total of \$2,589 at August 31, 2015. This amount was included in the FY2015 Utilities expense of \$36,900.

The Organization expects to complete payment of the remaining balance of \$3,624 on or before March 31, 2016.

K. **OPERATING EXPENSES**

1. **License**

License expense was \$24,000 in both FY2015 and FY2014.

2. **Contracted Services**

Contracted services expense was \$14,925 and \$10,057 in FY2015 and FY2014, respectively.

3. **Custodial Services**

Custodial services expense was \$39,988 and \$37,730 in FY2015 and FY2014, respectively.

4. **Repairs**

Repairs expense was \$23,219 and \$27,668 in FY2015 and FY2014, respectively.

5. **Utilities**

Utilities expense was \$36,900 and \$39,217 in FY2015 and FY2014, respectively.

6. **Depreciation**

Depreciation expense was \$6,299 and \$5,284 in FY2015 and FY2014, respectively.

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

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

L. 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 payments or receipts were recorded.

The Art Studio Rental income and the corresponding ArtSpan rent expense were \$34,739 and \$36,456 in FY2015 and FY2014, respectively. These amounts included a fuel surcharge of \$1,476 and \$4,144 in FY2015 and FY2014, respectively.

M. UNCERTAIN TAX POSITIONS

The Munroe Center files informational income tax returns with the United States Treasury and the Commonwealth of Massachusetts. In accordance with FASB Interpretation No. (FIN) 48 (ASC-740), "Accounting for Uncertainty in Income Taxes", with few exceptions, the organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to the fiscal year ended August 31, 2013.

N. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through November 3, 2015, the date the financial statements were available to be issued, in accordance with SFAS No. 165 (ASC-855), "Subsequent Events".