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**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2006 AND 2005**

**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.  
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JUNE 30, 2006 AND 2005**

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## ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
Prairie Lakes Regional Arts Council, Inc.  
Waseca, Minnesota

We have reviewed the accompanying statements of financial position of Prairie Lakes Regional Arts Council, Inc (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities and changes in net asset, functional expenses, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Prairie Lakes Regional Arts Council.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.


*Larson, Allen, Weishair & Co., LLP*  
**LARSON, ALLEN, WEISHAIR & CO., LLP**

Austin, Minnesota  
August 31, 2006

**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2006 AND 2005**  
**(SEE ACCOUNTANTS' REVIEW REPORT)**

	2006	2005
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 40,937	\$ 26,344
Certificate of Deposit	30,000	30,000
Accrued Interest	-	246
Reimbursements Receivable	-	559
Total Current Assets	70,937	57,149
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Furniture and Equipment	11,300	11,300
Accumulated Depreciation	(9,743)	(8,649)
Total Property, Plant and Equipment	1,557	2,651
Total Assets	\$ 72,494	\$ 59,800
<b>CURRENT LIABILITIES</b>		
Funds Committed	\$ 32,463	\$ 26,073
Fiscal Agent Payable	1,108	349
Total Liabilities	33,571	26,422
<b>NET ASSETS</b>		
Unrestricted	38,923	33,378
Total Net Assets	38,923	33,378
Total Liabilities and Net Assets	\$ 72,494	\$ 59,800

See accompanying Notes to Financial Statements.

  
**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**  
 (SEE ACCOUNTANTS' REVIEW REPORT)

	Year Ended June 30, 2006			Year Ended June 30, 2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Public Support						
Grants	\$ 181,175	\$ 12,000	\$ 193,175	\$ 180,442	\$ 7,000	\$ 187,442
Other Revenue						
Interest Income	3,604	-	3,604	2,361	-	2,361
Net Assets Released						
From Restriction	12,000	(12,000)	-	7,000	(7,000)	-
Other	3,434	-	3,434	5,638	-	5,638
Total Other Revenue	19,038	(12,000)	7,038	14,999	(7,000)	7,999
Total	200,213	-	200,213	195,441	-	195,441
<b>EXPENSES</b>						
Program	162,753	-	162,753	155,868	-	155,868
General and Administrative	30,734	-	30,734	35,042	-	35,042
Fundraising	1,181	-	1,181	2,143	-	2,143
Total Expenses	194,668	-	194,668	193,053	-	193,054
<b>Change in Net Assets</b>	5,545	-	5,545	2,388	-	2,387
<b>Net Assets, Beginning</b>	33,378	-	33,378	30,990	-	30,990
<b>Net Assets, Ending</b>	<u>\$ 38,923</u>	<u>\$ -</u>	<u>\$ 38,923</u>	<u>\$ 33,378</u>	<u>\$ -</u>	<u>\$ 33,377</u>

See accompanying Notes to Financial Statements.

**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS JUNE 30, 2006 AND 2005**  
**(SEE ACCOUNTANTS' REVIEW REPORT)**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets:	\$ 5,545	\$ 2,388
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,094	739
Decrease in Reimbursements Receivable	559	444
Decrease in Accrued Interest	246	243
Increase (Decrease) in Funds Committed	6,390	(2,621)
Increase (Decrease) in Accrued Liabilities	759	(948)
Net Cash Provided by Operating Activities	14,593	245
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Furniture and Equipment	-	(1,781)
Investment in Certificate of Deposit	(90,000)	(168,000)
Proceeds from Certificate of Deposit Maturity	90,000	168,000
Net Cash Used by Investing Activities	-	(1,781)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	14,593	(1,536)
 <b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	26,344	27,880
 <b>CASH AND CASH EQUIVALENTS - End of year</b>	\$ 40,937	\$ 26,344

See accompanying Notes to Financial Statements.

**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2006**  
**(SEE ACCOUNTANTS' REVIEW REPORT)**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		General and Administrative	Fund Raising		
Grants	\$ 91,070	\$ -	\$ -	\$ -	\$ 91,070
Salaries	42,821	20,403	698	21,101	63,922
Rent	3,313	2,097	110	2,207	5,520
Payroll Taxes	3,270	1,567	53	1,620	4,890
Awards	3,290	-	-	-	3,290
Employee Benefits	4,915	2,622	138	2,760	7,675
Travel, Meals & Lodging	2,707	-	-	-	2,707
Professional Services	716	477	132	609	1,325
Postage	1,253	139	-	139	1,392
Honoraria/Judging	1,571	-	-	-	1,571
Council Travel	1,730	-	-	-	1,730
Printing	2,010	426	18	444	2,454
Telephone	694	439	23	462	1,156
Office Supplies	687	341	9	350	1,037
Internet Services	527	285	-	285	812
Meeting Expense	982	-	-	-	982
Depreciation	-	1,094	-	1,094	1,094
Insurance	384	290	-	384	674
Receptions	485	-	-	-	485
Advertising	328	-	-	-	328
Miscellaneous	-	554	-	554	554
<b>Total Expenses</b>	<b>\$ 162,753</b>	<b>\$ 30,734</b>	<b>\$ 1,181</b>	<b>\$ 32,009</b>	<b>\$ 194,668</b>

See accompanying Notes to Financial Statements.

**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2005**  
**(SEE ACCOUNTANTS' REVIEW REPORT)**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		General and Administrative	Fund Raising		
Grants	\$ 92,840	\$ -	\$ -	\$ -	\$ 92,840
Salaries	42,795	20,417	1,863	22,280	65,075
Rent	386	5,134	-	5,134	5,520
Payroll Taxes	3,274	1,562	143	1,704	4,978
Awards	3,075	-	-	-	3,075
Employee Benefits	3,013	1,417	75	1,492	4,505
Travel, Meals & Lodging	1,841	1,001	-	1,001	2,842
Professional Services	104	1,700	-	1,700	1,804
Postage	1,299	235	15	250	1,549
Honoraria/Judging	1,503	-	-	-	1,503
Council Travel	1,414	-	-	-	1,414
Printing	1,326	-	-	-	1,326
Telephone	816	475	24	499	1,315
Office Supplies	705	298	24	322	1,027
Internet Services	639	310	-	310	949
Meeting Expense	-	846	-	846	846
Depreciation	-	739	-	739	739
Insurance	-	651	-	651	651
Receptions	439	-	-	-	439
Advertising	400	-	-	-	400
Miscellaneous	-	257	-	257	257
<b>Total Expenses</b>	<b>\$ 155,868</b>	<b>\$ 35,042</b>	<b>\$ 2,143</b>	<b>\$ 37,185</b>	<b>\$ 193,053</b>

See accompanying Notes to Financial Statements.



**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**  
**(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Prairie Lakes Regional Arts Council, Inc. (the Organization) is a Minnesota nonprofit corporation chartered in 1993. Its purpose is to support and promote the arts in the south-central Minnesota area. The Organization solicits public and private contributions to allocate among various organizations throughout the area.

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based upon donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donor of these resources permitted to the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

**Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments with original maturity of three months or less to be cash equivalents. As of June 30, 2006 and 2005, the Organization had no cash equivalents.

**Furniture and Equipment**

The Organization capitalizes purchases of assets with useful lives greater than one year. Furniture and equipment are valued at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is recorded in income for that period. The cost of significant renewal and betterments is also capitalized.

**Funds Committed**

The Organization approves grants to various art related projects throughout the year. These grants are 80% distributed at the start of the project and 20% upon completion. The Funds Committed represents grants that have obtained board approval and have either not yet commence or are not complete as of year end.

**Income Taxes**

The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. Therefore, no provision for income taxes is provided in these financial statements.

**PRAIRIE LAKES REGIONAL ARTS COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**  
**(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Services**

During the years ended June 30, 2006 and 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals volunteer their time in assisting the Organization, but these services do not meet the criteria for recognition as contributed services.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Advertising**

The organization expenses advertising expenses as incurred. Advertising expenses for the years ended June 30, 2006 and 2005 were \$328 and \$400, respectively.

**NOTE 2 LEASES**

The Organization rent office space on a month to month basis. Rental Payments equaled \$5,520 for the years ended June 30, 2006 and 2005, respectively.

**NOTE 3 RISK CONCENTRATION**

Prairie Lakes Regional Arts Council, Inc. receives a substantial amount of its revenue from the state government. A significant reduction in the level of this revenue, if it were to occur, may have an effect on the Organization's activities.

The Organization maintains its cash and investments in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk on such deposits.