

**INDEPENDENT AUDITOR'S REPORT**

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

**AS OF JUNE 30, 2007**

**MEULEBROECK, TAUBERT & CO., PLLP  
CERTIFIED PUBLIC ACCOUNTANTS  
PO BOX 707  
PIPESTONE, MINNESOTA 56164**

Prairie Lakes Regional Arts Council, Inc.  
Waseca, Minnesota

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**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
mtcojms@iw.net

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
mtcocpa@iw.net

Russell, Minnesota 56169  
507 823-4391  
Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538

*PARTNERS*

David L. Meulebroeck, CPA  
Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA

*WITH THE FIRM*

Amanda K. Baarson, CPA  
Marjorie R. Winter, CPA  
Michael K. Dubbelde, PA

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Prairie Lakes Regional  
Arts Council, Inc.  
Waseca, Minnesota 56093

We have audited the accompanying statement of financial position of the Prairie Lakes Regional Arts Council, Inc. (a nonprofit organization) as of June 30, 2007 and the related statements of activities, cash flows and functional expenditures for the year then ended. These financial statements are the responsibility of the Prairie Lakes Regional Arts Council, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Minnesota Arts and Humanities Council as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Meulebroeck, Taubert & Co., PLLP*  
Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants

October 4, 2007

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**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2007**

**Assets**

**Current Assets**

Cash and Cash Equivalents	37,388
Certificates of Deposit	41,161
Reimbursements Receivable	230
Total Current Assets	<u>78,779</u>

**Property, Plant and Equipment**

Furniture and Equipment	11,300
Accumulated Depreciation	<u>(10,232)</u>
Total Property, Plant and Equipment	1,068
Total Assets	<u><u>79,847</u></u>

**Liabilities and Net Assets**

**Current Liabilities**

Funds Committed	30,509
Fiscal Agent Payable	279
Total Current Liabilities	<u>30,788</u>

**Net Assets**

Unrestricted Net Assets	49,059
Total Net Assets	<u>49,059</u>
Total Liabilities and Net Assets	<u><u>79,847</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>			
<b><u>Public Support</u></b>			
Grants	193,175	9,800	202,975
<b><u>Other Revenue</u></b>			
Interest Income	6,747	-	6,747
Other Income	5,271	-	5,271
Net Assets Released from Restriction	9,800	(9,800)	-
Total Other Revenue	<u>21,818</u>	<u>(9,800)</u>	<u>12,018</u>
Total Support and Revenue	214,993	-	214,993
<b><u>Expenditures</u></b>			
Program Services	174,783	-	174,783
General and Administrative	28,793	-	28,793
Fundraising	1,281	-	1,281
Total Expenditures	<u>204,857</u>	<u>-</u>	<u>204,857</u>
Increase (Decrease) to Net Assets	10,136	-	10,136
Net Assets - July 1	<u>38,923</u>	<u>-</u>	<u>38,923</u>
Net Assets - June 30	<u><u>49,059</u></u>	<u><u>-</u></u>	<u><u>49,059</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007**

**Sources of Cash From Operating Activities**

Increase (Decrease) to Net Assets for the Year	10,136
Adjustments to Reconcile Increase (Decrease) to Net Assets to Cash Provided by Operating Activities:	
Depreciation	488
(Increase) Decrease in Reimbursement Receivable	(230)
(Increase) Decrease in Accrued Interest	(1,161)
Increase (Decrease) in Funds Committed	(1,954)
Increase (Decrease) in Fiscal Agent Payable	(828)
Net Cash Flows From Operating Activities	<u>6,451</u>

**Cash Flows From Financing Activities**

Investment in Certificate of Deposit	<u>(10,000)</u>
Net Cash Flows From Financing Activities	<u>(10,000)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(3,549)
Cash and Cash Equivalents-July 1	<u>40,937</u>
Cash and Cash Equivalents-June 30	<u><u>37,388</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF FUNCTIONAL EXPENDITURES**  
**ALL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Supporting Services</u>		<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>			
<b><u>Expenditures</u></b>					
Salaries	44,946	18,333	763	19,096	64,042
Payroll Taxes	3,353	1,515	25	1,540	4,893
Grant Expense	101,580	-	-	-	101,580
Travel, Meals and Lodging	3,738	-	-	-	3,738
Council Travel	1,951	-	-	-	1,951
Meeting Expense	1,072	-	-	-	1,072
Telephone	742	570	25	595	1,337
Postage	1,284	176	-	176	1,460
Copying and Printing	624	-	-	-	624
Office Supplies	656	389	23	412	1,068
Rent	3,432	2,174	114	2,288	5,720
Insurance	386	291	-	291	677
Professional Services	769	513	143	656	1,425
Membership Dues	-	475	-	475	475
Internet Service	522	281	-	281	803
Miscellaneous Expense	-	24	-	24	24
Depreciation	-	488	-	488	488
Benefit Expenses	5,753	3,564	188	3,752	9,505
Art Exhibition Expenses	3,975	-	-	-	3,975
Total Expenditures	<u>174,783</u>	<u>28,793</u>	<u>1,281</u>	<u>30,074</u>	<u>204,857</u>

See accompanying notes to the financial statements.



Prairie Lakes Regional Arts Council, Inc.  
Waseca, Minnesota

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1**

**Reporting Entity**

The Prairie Lakes Regional Arts Council was incorporated as a Minnesota non-profit organization in 1993. The purpose of the Council 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.

The council is an exempt organization under section 501 (c)(3) of the Internal Revenue Code.

**Note 2**

**Summary of Significant Accounting Policies**

**Accounting Method**

The accounts of the Prairie Lakes Regional Arts Council are maintained on the accrual basis of accounting.

**Financial Statement Presentation**

Net assets and revenues of the Organization are classified based upon donor imposed restrictions. Consequently, net assets and changes therein are classified and reported in the following manner:

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 – Resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or by the passage of time.

Permanently Restricted – Resources subject to a donor imposed restriction to be maintained permanently by the Organization. The donor of these resources permitted to the Organization that all or part of the income earned, capital appreciation, or the related investments from these resources be used for unrestricted and temporarily restricted purposes.

**Funds Committed**

Throughout the year the Organization approves grants to various art related projects. At the start of the project 80% of the grant is distributed to the recipient; upon completion of the project the remaining 20% is distributed. The Funds Committed represents grants that have been approved by the Board and either have not yet commenced or are not completed as of year end.

Prairie Lakes Regional Arts Council, Inc.  
Waseca, Minnesota

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 2**

**Summary of Significant Accounting Policies - continued**  
**Furniture and Equipment**

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

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a remaining maturity of three months or less to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**Functional Allocation of Expenses**

The costs of the various programs and other activities have been summarized on a functional basis in these statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Contributed Services**

During the year ended June 30, 2007, the value of contributed services meeting the requirement 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.

**Advertising**

The Organization expenses advertising as incurred. Total advertising expenses for the year ended June 30, 2007 equaled \$210.

**Note 3**

**Leases**

Prairie Lakes Regional Arts Council leases its office space on a month to month basis. Lease payments were \$460 per month up to March 2007, when rent increased to the current rate of \$510 per month. Total lease payments for the year equaled \$5,720.

Prairie Lakes Regional Arts Council, Inc.  
Waseca, Minnesota

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 4**

**Income Taxes**

The council is exempt from income taxes under IRS code section 501 (c)(3). Therefore, no provision for income tax is made in these statements. Form 990, Return of Organization Exempt from Income Tax, is filed annually.

**Note 5**

**Current Vulnerability Due to Certain Concentrations**

The organization receives approximately 89.9% of its support from Government and Public Grants. Although there are no plans to discontinue these programs, if these programs were to cease, it would cause a severe impact on the organization and its ability to continue its operations. The organization does not expect, in any way, that the support will be lost in the near term.

**Note 6**

**Risk Management and Litigation**

The Organization is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Organization has obtained coverage from commercial insurance companies to manage this risk. The Organization estimates that the amount of actual or potential claims against the Organization as of June 30, 2007, will not materially affect the financial condition of the Organization.

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