

ARROWHEAD REGIONAL ARTS COUNCIL
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2015 AND 2014

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ARROWHEAD REGIONAL ARTS COUNCIL

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Independent Auditor's Report

September 10, 2015

To The Board of Directors
Arrowhead Regional Arts Council
Duluth, Minnesota

We have audited the accompanying financial statements of Arrowhead Regional Arts Council (a tax-exempt organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arrowhead Regional Arts Council as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Licari, Larsen & Co. LTD

ARROWHEAD REGIONAL ARTS COUNCIL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>Assets</u>	<u>2015</u>	<u>2014</u>
<u>Current Assets:</u>			
Cash and cash equivalents		\$ 136,911	\$ 206,166
Prepaid expenses		-	281
Total Current Assets		<u>136,911</u>	<u>206,447</u>
 <u>Property And Equipment:</u>			
Leasehold improvements		15,007	15,007
Office equipment		33,995	33,995
		<u>49,002</u>	<u>49,002</u>
Accumulated depreciation		35,797	35,397
Net Property And Equipment		<u>13,205</u>	<u>13,605</u>
 Total Assets		<u><u>\$ 150,116</u></u>	<u><u>\$ 220,052</u></u>
	<u>Liabilities And Net Assets</u>		
<u>Current Liabilities:</u>			
Accounts payable		\$ -	\$ 140
Grants payable		127,333	91,796
Accrued payroll		7,718	4,423
Payroll taxes withheld		3,908	6,612
Total Current Liabilities		<u>138,959</u>	<u>102,971</u>
 <u>Net Assets:</u>			
Unrestricted		11,157	117,081
Temporarily Restricted		-	-
Total Net Assets		<u>11,157</u>	<u>117,081</u>
 Total Liabilities And Net Assets		<u><u>\$ 150,116</u></u>	<u><u>\$ 220,052</u></u>

See accompanying notes.

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ARROWHEAD REGIONAL ARTS COUNCIL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015			
	Unrestricted	Temporarily Restricted	Total	2014
<u>Revenues:</u>				
<u>Minnesota State Arts Board Grants:</u>				
Arts and Cultural Heritage Funds	\$ -	\$ 579,034	\$ 579,034	\$579,034
General fund appropriation	-	161,303	161,303	161,303
McKnight Foundation Grant	-	90,000	90,000	90,000
Interest income	801	-	801	756
Other income	1,742	-	1,742	3,852
Net assets released from restrictions	830,337	(830,337)	-	-
	<u>832,880</u>	<u>-</u>	<u>832,880</u>	<u>834,945</u>
Total Revenues				
<u>Expenses:</u>				
Program expenses	858,478	-	858,478	758,661
Management and general	80,326	-	80,326	56,887
	<u>938,804</u>	<u>-</u>	<u>938,804</u>	<u>815,548</u>
Total Expenses				
INCREASE (DECREASE) IN NET ASSETS	\$ (105,924)	\$ -	\$(105,924)	\$ 19,397
<u>Net Assets:</u>				
Beginning of year	117,081	-	117,081	97,684
End of year	<u>\$ 11,157</u>	<u>\$ -</u>	<u>\$ 11,157</u>	<u>\$117,081</u>

See accompanying notes.

ARROWHEAD REGIONAL ARTS COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	Program	Fundraising	Management & General	2015 Total	2014
Salaries	\$156,203	\$ -	\$ 27,565	\$183,768	\$141,197
Payroll taxes	18,859	-	3,328	22,187	11,793
Employee benefits	10,421	-	1,839	12,260	20,941
Pension	6,020	-	1,062	7,082	7,676
Total Compensation	191,502	-	33,795	225,297	181,607
Accounting	-	-	4,350	4,350	4,040
Administrative	-	-	4,095	4,095	10
Advertising/public relations	-	-	4,462	4,462	500
Arrowhead arts awards	5,205	-	750	5,955	6,151
Bank charges	-	-	-	-	41
Board technology stipend	-	-	2,757	2,757	-
Contract services	1,943	-	1,295	3,238	6,989
Council and staff travel	13,045	-	5,685	18,730	15,573
Creative MN individual report	-	-	750	750	-
Depreciation	-	-	400	400	400
Dues	-	-	1,911	1,911	2,116
Equipment and repairs	2,222	-	8,889	11,111	3,961
Foundant Technologies	8,500	-	-	8,500	7,458
Grants awarded	612,376	-	-	612,376	555,032
Insurance	-	-	1,813	1,813	1,816
Miscellaneous	-	-	788	788	3,252
Office rent	8,551	-	3,665	12,216	12,276
Postage	661	-	283	944	1,990
Printing	104	-	45	149	290
Program expense	1,023	-	-	1,023	-
Rural arts/cultural summit scholarships	2,745	-	-	2,745	-
Supplies	4,770	-	2,094	6,864	4,471
Technical assistance	2,678	-	1,148	3,826	2,749
Telephone	2,177	-	934	3,111	2,310
Website redesign/maint.	975	-	418	1,393	2,516
Total Expenses	<u>\$858,478</u>	<u>\$ -</u>	<u>\$ 80,326</u>	<u>\$938,804</u>	<u>\$815,548</u>

See accompanying notes.

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ARROWHEAD REGIONAL ARTS COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities:</u>		
Increase (decrease) in net assets	\$ (105,924)	\$ 19,397
<u>Adjustments to reconcile to net cash</u>		
<u>flows from operating activities:</u>		
Depreciation	400	400
<u>Other:</u>		
<u>(Increase) decrease in:</u>		
Prepaid expenses	281	5,948
<u>Increase (decrease) in:</u>		
Accounts payable/accruals	35,988	84,668
	<u>(69,255)</u>	<u>110,413</u>
Net Cash Flows From Operating Activities		
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	<u>-</u>	<u>-</u>
Net Cash Flows From Investing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV.	(69,255)	110,413
Cash and cash equiv., beginning of year	<u>206,166</u>	<u>95,753</u>
Cash and cash equiv., end of year	<u><u>\$ 136,911</u></u>	<u><u>\$ 206,166</u></u>

See accompanying notes.

ARROWHEAD REGIONAL ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organizational Status

Arrowhead Regional Arts Council is a tax-exempt 501(c)(3) organization that provides funding to regional arts organizations and individual artists within the Minnesota Arrowhead Region. The Council also provides technical assistance along with management and planning assistance to regional arts organizations and artists.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is stated at cost, if purchased or at fair value at the date of the gift, if donated, less accumulated depreciation. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 20 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Uncertainties, Contingencies, and Risks

The Organization's policy is to depreciate its buildings and equipment over their estimated useful lives using the straight-line method and to annually evaluate the remaining useful lives. It is at least reasonably possible that the Organization's estimate of the remaining useful lives will change in the near term.

Financial Statement Presentation

Under FASB ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

ARROWHEAD REGIONAL ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Pensions

The Organization sponsors a defined contribution retirement plan for employees. Contributions are based on a percentage of employee salaries.

Advertising

Advertising costs are expensed when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include checking and savings accounts for purposes of the statement of cash flows.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents.

Subsequent Events

Management has evaluated subsequent events through September 10, 2015, the date on which the financial statements were available to be issued.

ARROWHEAD REGIONAL ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE B – PROPERTY, PLANT AND EQUIPMENT

Depreciation charged to operations for 2015 and 2014 amounted to \$400 and \$400, respectively. The major classes of property, plant and equipment at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 15,007	\$ 15,007
Office equipment	<u>33,995</u>	<u>33,995</u>
	\$ 49,002	\$ 49,002
Accumulated depreciation	<u>35,797</u>	<u>35,397</u>
	<u>\$ 13,205</u>	<u>\$ 13,605</u>

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives funding from the Arts and Cultural Heritage Funds to be used for grants to regional arts organizations and individuals. As of June 30, 2015 and 2014, there were funds encumbered this purpose that have not yet been paid. Starting in fiscal year 2014, the Organization is presenting these encumbered grant awards as Grants Payable. The balances of these encumbered grants shown as temporarily restricted net assets are \$-0- and \$-0- as of June 30, 2015 and 2014.

NOTE D – TAX STATUS

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

NOTE E – CONCENTRATIONS

The Organization has concentrations of grant revenues from the Minnesota State Arts Board via the State of Minnesota general fund and the Minnesota Legacy Amendment Fund. This funding is subject to renewal on an annual basis.

Independent Auditor's Report on the Supplementary Information

September 10, 2015

To The Board of Directors
Arrowhead Regional Arts Council
Duluth, Minnesota

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare and consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Licari, Larsen & Co LTD

ARROWHEAD REGIONAL ARTS COUNCIL
SCHEDULE OF GRANTS AWARDED
YEAR ENDED JUNE 30, 2015

<u>GRANTEE</u>	<u>AMOUNT</u>
Aaron Squadroni	\$3,000.00
Adam Swanson	5,850.00
Alberta Marana	725.00
Amy Clark	420.00
Amy Lucas	5,000.00
Amy Woschek Schmidt	4,880.00
Andrew Turpening	4,800.00
Andy Bennett	2,000.00
Angie Frank	5,750.00
Anne-Marie Erickson	5,000.00
Anthony Ferguson	5,000.00
Arna Rennan	1,190.00
Arrowhead Chorale	15,000.00
Barbara Leuelling	2,900.00
Betsy Hunt	750.00
Brent Kustermann	750.00
Brett Grandson	1,870.00
Briand Morrison	5,000.00
Brittany Kubes	3,000.00
Bryan Hansel	1,000.00
Candace LaCosse	3,600.00
Carla Hamilton-Eisele	750.00
Carolyn S. Olson	2,980.00
Catherine Meier	5,000.00
Cecilia Lieder	2,000.00
Chalk.a.Lot	5,000.00
Cheryl Reitan	2,980.00
Chris LeBlanc	1,660.00
Citizens For Backus	5,000.00
Cody Paulson	750.00
Cole Perry	2,900.00
Cook Area Chamber of Commerce	2,600.00
County Seat Theater Company	6,000.00
Crystal Gibbins	5,000.00
Daniel Neff	5,000.00
Darrell S Chosa	750.00
Dawn LaPointe	2,095.00
Delina White	1,020.00
Duluth All Souls Night	5,000.00
Duluth Pop-Up Galleries	750.00

ARROWHEAD REGIONAL ARTS COUNCIL
SCHEDULE OF GRANTS AWARDED
YEAR ENDED JUNE 30, 2015

<u>GRANTEE</u>	<u>AMOUNT</u>
Duluth Sister Cities International	5,000.00
Duluth Superior Film Festival	10,000.00
Echoes of Peace	750.00
Edge Center for the Art	1,000.00
Elizabeth (Lisa) McKhann	750.00
Ely Artwalk	4,700.00
Ely Community Resource	600.00
Ely Greenstone Public Arts Committee	5,000.00
Emily Derke	380.00
Emily Moe	5,000.00
Eric Dubnicka	1,090.00
Eric G. Meyer	713.00
Erin Altemus	1,680.00
Eun-Kyung Suh	2,500.00
Felicia Schneiderhan	3,000.00
Florencia Matamoros	1,520.00
Fond du Lac Tribal and Community College	650.00
Francine Sterle	5,000.00
Friends of B'nai Abraham	3,000.00
Gary Fiedler	2,000.00
Gina Temple-Rhodes	4,344.00
Good Harbor Hill Players	13,000.00
Grand Marais Arts, Inc.	5,000.00
Grand Marais Playhouse	5,000.00
Grand Rapids Area Male Chorus	4,900.00
Grand Rapids Arts	5,710.00
Grand Rapids Players	5,000.00
Great River String Ensemble	3,640.00
Ice Box Radio Theater	5,000.00
Itasca Choral Society/Itasca Community Chorus	4,950.00
Itasca County Private Woodland Committee	4,000.00
Itasca Orchestra and Strings Program	7,910.00
Jaques Art Center	5,100.00
Jason Page	7,000.00
Jeanette Cox	995.00
Jeff Dexheimer	2,000.00
Jeffrey Kalstrom	750.00
Jeffrey Ruprecht	2,000.00

ARROWHEAD REGIONAL ARTS COUNCIL
SCHEDULE OF GRANTS AWARDED
YEAR ENDED JUNE 30, 2015

<u>GRANTEE</u>	<u>AMOUNT</u>
Jeremy Kershaw	4,696.00
Jesse Hoheisel	2,000.00
Jessica Roeder	750.00
Jowllyn Rock	3,000.00
Jo Wood	1,870.00
John Zasada	750.00
Karen Savage-Blue	10,000.00
Katherine Sandnas	750.00
Kathleen McTavish	3,280.00
Kathleen Roberts	2,000.00
Kim Garrett	3,000.00
Kristina Estell	360.00
Kyle Lind	720.00
Lake Superior Chamber Orchestra	14,800.00
Lake Superior Community Theatre	10,565.00
Lake Superior Youth Chorus	6,750.00
Lance Karasti	2,000.00
Leech Lake Band of Ojibwe Ball Club Community Center	5,000.00
Lily Winter	1,190.00
Loretta (Lory) Worthing	750.00
Lyric Opera of the North	10,000.00
MacRostie Art Center	15,750.00
Maria Sippola	2,600.00
Mary Plaster	750.00
Matinee Musicale	6,000.00
Melinda Johnson	1,570.00
Mesabi Community Orchestra d/b/a Mesabi Symphony Orchestra	11,570.00
Michael Nordin	750.00
Michelle Matthees	3,000.00
Michelle Wegler	2,545.00
Minnesota State Old Time Fiddle Championships	5,000.00
Nate Johnson	3,000.00
Nicole Jerome	1,940.00
Nordic Center	19,000.00
North Shore Music Association	17,090.00
Northern Lakes Arts Association	750.00
Northern Lights Music Festival, Inc.	11,000.00
Northwoods Friends of the Arts	6,200.00
Pamela Davis	750.00

ARROWHEAD REGIONAL ARTS COUNCIL
SCHEDULE OF GRANTS AWARDED
YEAR ENDED JUNE 30, 2015

<u>GRANTEE</u>	<u>AMOUNT</u>
Paula Gudmundson	750.00
PK Pestalozzi	750.00
Prøve Collective	5,000.00
Rachael Kilgour	2,750.00
Rachel Johnson	3,000.00
Rachel Nelson	1,500.00
Range Center Inc./Soho art	5,000.00
Renegade Theater Company	10,000.00
Ressl Dance!	5,000.00
Richard Colburn	2,745.00
Roy Misonznick	1,870.00
Samuel Miltich	750.00
Sasha Howell	1,720.00
Sean Elmquist	2,000.00
Sharon Vanous	2,610.00
Shaunna Heckman	1,700.00
Shawna Gilmore	7,000.00
Sheila Yrjanainen	1,480.00
Sky Blue Jazz Ensemble	3,280.00
Spirit Lake Poetry Series	5,000.00
Stephanie Mirocha	750.00
Susan Hawkinson	4,610.00
Teague Alexy	3,000.00
The College of St. Scholastica	5,000.00
The Ojibway Woman Elder Art Guild	750.00
Tim Kaiser	1,745.00
Troy Rogers	5,750.00
Trudy Vrieze	750.00
Twin Ports Wind Ensemble	6,000.00
Tyler Kaiser	3,000.00
Vermilion Community College	750.00
Wendy Savage	561.00
Wes Bailey	2,580.00
Wise Fool Shakespeare	3,090.00
Zeitgeist Center for Arts and Community	5,750.00
Total Grants Paid	\$576,839.00
Grants Payable 6/30/2014	(91,796.00)
Grants Payable 6/30/2015	127,333.00
GRANT EXPENSE 6/30/2015	<u>\$612,376.00</u>