

## Chris Steller

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**From:** Maxine Adams <directorlrac@gmail.com>  
**Sent:** Wednesday, November 28, 2018 12:42 PM  
**To:** Chris Steller  
**Subject:** LRAC FY18 Audit for St Ref. Library records  
**Attachments:** FY 18 Audit.pdf

Dear State Reference Librarian,  
Attached is the FY18 audit for the Lake Region Arts Council, which was approved by the LRAC board of directors at their Nov. 1, 2018 meeting. Two hard copies will be sent to your office.

This is to supplement the final report which was sent to your office September 2018

Please call if you have any questions.

*Maxine Adams*

Executive Director  
Lake Region Arts Council  
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133 S. Mill St.  
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LAKE REGION ARTS COUNCIL

FERGUS FALLS, MINNESOTA

FINANCIAL REPORT

June 30, 2018

LAKE REGION ARTS COUNCIL

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# SWENSON, SAURER, GERBER, ANDERSON & Co., LTD.

## CERTIFIED PUBLIC ACCOUNTANTS

Arlan C. Swenson, CPA ♦ Dwayne V. Saurer, CPA ♦ Kelly L. Gerber, CPA ♦ Edwin A. Anderson, CPA

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lake Region Arts Council  
Fergus Falls, Minnesota

We have audited the accompanying financial statements of Lake Region Arts Council, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 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 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 Lake Region Arts Council as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Report on Summarized Comparative Information

We have previously audited the Lake Region Arts Council's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Swenson, Saurer, Gerber, Anderson & Co., Ltd.*

October 8, 2018

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LAKE REGION ARTS COUNCIL  
STATEMENT OF FINANCIAL POSITION  
June 30, 2018  
(With Comparative Totals for 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$115,103	\$120,077
Prepaid Expenses	5,797	9,253
Accounts Receivable	<u>          -</u>	<u>          -</u>
Total Current Assets	<u>\$120,900</u>	<u>\$129,330</u>
EQUIPMENT		
Equipment	\$ 78,236	\$ 78,236
Less Accumulated Depreciation	<u>(66,694)</u>	<u>(63,247)</u>
Net Equipment	<u>\$ 11,542</u>	<u>\$ 14,989</u>
Total Assets	<u>\$132,442</u>	<u>\$144,319</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 4,993	\$ 3,706
Grants Payable	<u>60,291</u>	<u>75,445</u>
Total Current Liabilities	<u>\$ 65,284</u>	<u>\$ 79,151</u>
COMMITMENTS	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Unrestricted	\$ 65,549	\$ 65,112
Temporarily Restricted	<u>1,609</u>	<u>56</u>
Total Net Assets	<u>\$ 67,158</u>	<u>\$ 65,168</u>
Total Liabilities and Net Assets	<u>\$132,442</u>	<u>\$144,319</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	2018			2017
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Minnesota State Arts Board Grant	\$553,981	\$ -	\$553,981	\$624,877
McKnight Foundation Grant	-	60,000	60,000	-
Interest Income	55	-	55	49
Other Revenue	22,837	-	22,837	8,802
Net Assets Released From Restrictions	<u>58,447</u>	<u>(58,447)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>\$635,320</u>	<u>\$ 1,553</u>	<u>\$636,873</u>	<u>\$633,728</u>
<b>EXPENSES</b>				
Program Services				
General Program	\$141,226	\$ -	\$141,226	\$148,582
McKnight Foundation	58,344	-	58,344	61,303
Arts and Cultural Heritage	<u>420,584</u>	<u>-</u>	<u>420,584</u>	<u>466,413</u>
Total Program Services	\$620,154	\$ -	\$620,154	\$676,298
General and Administrative	<u>14,729</u>	<u>-</u>	<u>14,729</u>	<u>20,487</u>
Total Expenses	<u>\$634,883</u>	<u>\$ -</u>	<u>\$634,883</u>	<u>\$696,785</u>
Change in Net Assets	\$ 437	\$ 1,553	\$ 1,990	\$(63,057)
 NET ASSETS - Beginning of Year	 <u>65,112</u>	 <u>56</u>	 <u>65,168</u>	 <u>128,225</u>
NET ASSETS - End of Year	<u>\$ 65,549</u>	<u>\$ 1,609</u>	<u>\$ 67,158</u>	<u>\$ 65,168</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
 STATEMENT OF FUNCTIONAL EXPENSES  
 For the Year Ended June 30, 2018  
 (With Comparative Totals for 2017)

EXPENSES	2018				Total	2017 Total
	General Program	McKnight Foundation	Arts and Cultural Heritage	General and Administrative		
Salaries and Wages	\$ 32,752	\$ 5,779	\$117,731	\$ 1,779	\$158,041	\$150,999
Payroll Taxes	2,519	444	9,053	137	12,153	11,457
Employee Benefits	1,934	341	6,769	105	9,149	9,962
Newsletter and Website	-	-	16,496	-	16,496	22,463
Grants and Awards	83,148	15,650	184,379	-	283,177	366,503
Travel, Meals and Lodging	1,079	1,952	5,216	-	8,247	14,542
Telephone	408	204	1,021	408	2,041	1,743
Postage	194	97	486	194	971	1,046
Electricity	147	74	367	147	735	725
Office Expenses	1,356	418	2,159	836	4,769	2,947
Rent	3,720	28,860	9,300	3,720	45,600	45,226
Gallery Expense	-	1,858	1,760	-	3,618	3,918
Other Program	12,539	-	41,869	-	54,408	23,437
Repairs and Maintenance	217	108	541	216	1,082	1,166
Parking	90	45	225	90	450	450
Insurance	-	233	1,475	934	2,642	2,362
Professional Services	1,023	1,509	11,081	5,021	18,634	21,814
Memberships	-	171	855	784	1,810	1,936
Workshops	-	41	7,093	164	7,298	5,262
Depreciation	-	556	2,696	194	3,446	3,608
Miscellaneous	100	4	12	-	116	5,219
	<u>\$141,226</u>	<u>\$58,344</u>	<u>\$420,584</u>	<u>\$ 14,729</u>	<u>\$634,883</u>	<u>\$696,785</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,990	\$ (63,057)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,446	3,608
(Increase) Decrease in Operating Assets		
Accounts Receivable	-	60,000
Prepaid Expenses	3,456	2,863
Increase (Decrease) in Operating Liabilities		
Accounts Payable	1,288	(6,543)
Grants Payable	<u>(15,154)</u>	<u>(2,682)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(4,974)</u>	\$ <u>(5,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	\$ -	\$ -
Net Cash Provided (Used) by Investing Activities	\$ -	\$ -
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (4,974)	\$ (5,811)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>120,077</u>	<u>125,888</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 115,103</u>	<u>\$ 120,077</u>

See Notes to Financial Statements.



LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1. Nature of Operations and Significant Accounting Policies

Nature of Operations:

Lake Region Arts Council is a non-profit corporation organized under the laws of the State of Minnesota. It is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of Section 509(a) of the Code. The Corporation was formed to provide funding for artistic endeavors through a re-granting process.

Funding of the Corporation's activities is from three major sources: the Minnesota State Legislature appropriation, the Minnesota Arts and Cultural Heritage Fund and the McKnight Foundation. Continuing support from the State Legislature and the McKnight Foundation is on a year-by-year basis.

Support and Revenue:

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

Cash and Cash Equivalents:

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes:

The Internal Revenue Service has determined that the Corporation shall be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. This exempt status will continue in

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

NOTE 1. Nature of Operations and Significant Accounting Policies  
(continued)

effect provided the Corporation undergoes no change in purpose, character or method of operation. The Corporation is not classified as a private foundation.

The Corporation's Forms 990, return of Organized Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Equipment:

Office equipment is reported at cost if the asset was purchased, or at fair market value at the date of receipt if the asset was donated. Depreciation totaling \$3,608 for the year ended June 30, 2018 was computed using the straight-line method over the estimated useful lives of the assets.

NOTE 2. Grants Payable

Lake Region Arts Council awards grants to qualifying organizations and individuals based on an evaluation process carried on by the governing board. In most cases, a portion of the amount awarded is withheld until the project being funded is completed. At June 30, 2018 a total of \$60,291 has been awarded but not yet remitted to grantees. This amount will be paid during the next fiscal year.

NOTE 3. Net Assets

The net assets as of June 30, 2018 consisted of the following components:

	<u>June 30, 2018</u>
Unrestricted:	
General Program	\$ <u>65,549</u>
Temporarily Restricted:	
McKnight Foundation	\$ <u>1,609</u>

NOTE 4. Functional Allocation of Expense

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Costs which have been allocated include salaries, payroll taxes, telephone, occupancy costs and postage.

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

NOTE 5. Lease Commitment

On November 1, 2017, the Corporation entered into a lease for office space and for an art gallery. The lease term runs from November 1, 2017 through October 31, 2019. The lease calls for monthly payments of \$3,800 due on the first day of each month.

NOTE 6. Prior Year Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Note 7. Evaluation of Subsequent Events

The Corporation has evaluated subsequent events through October 8, 2018, the date the financial statements were available to be issued.