

LAKE REGION ARTS COUNCIL  
FERGUS FALLS, MINNESOTA  
FINANCIAL REPORT  
June 30, 2003

LAKE REGION ARTS COUNCIL

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

*Arlan C. Swenson, CPA*

*Dwayne V. Saurer, CPA*

**Certified Public Accountants**

Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Lake Region Arts Council (a nonprofit corporation) as of June 30, 2003 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's 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 Lake Region Arts Council as of June 30, 2003, 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.

*Swenson, Saurer & Co., Ltd.*

September 12, 2003

LAKE REGION ARTS COUNCIL  
STATEMENT OF FINANCIAL POSITION  
June 30, 2003  
(With Comparative Totals for 2002)

ASSETS

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 61,029	\$ 65,603
Grant Receivable	-	38,000
Prepaid Expenses	<u>2,080</u>	<u>1,669</u>
Total Current Assets	\$ <u>63,109</u>	\$ <u>105,272</u>
EQUIPMENT		
Equipment	\$ 39,231	\$ 34,947
Less Accumulated Depreciation	<u>(17,911)</u>	<u>(14,228)</u>
Net Equipment	\$ <u>21,320</u>	\$ <u>20,719</u>
Total Assets	\$ <u>84,429</u>	\$ <u>125,991</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 10,180	\$ 4,199
Grants Payable	<u>28,193</u>	<u>29,275</u>
Total Current Liabilities	\$ <u>38,373</u>	\$ <u>33,474</u>
COMMITMENTS	\$ -	\$ -
NET ASSETS		
Unrestricted	\$ 42,048	\$ 41,723
Temporarily Restricted	<u>4,008</u>	<u>50,794</u>
Total Net Assets	\$ <u>46,056</u>	\$ <u>92,517</u>
Total Liabilities and Net Assets	\$ <u>84,429</u>	\$ <u>125,991</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2003  
(With Comparative Totals for 2002)

	2003			2002
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Minnesota State Arts Board Grant	\$198,456	\$ -	\$198,456	\$206,725
McKnight Foundation Grant	-	-	-	76,000
Interest Income	2,143	-	2,143	4,188
Other Revenue	5,329	-	5,329	5,098
Net Assets Released From Restrictions	<u>46,786</u>	<u>(46,786)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>\$252,714</u>	<u>\$(46,786)</u>	<u>\$205,928</u>	<u>\$292,011</u>
EXPENSES				
Program Services				
General Program	\$177,009	\$ -	\$177,009	\$160,100
McKnight Foundation	<u>46,786</u>	<u>-</u>	<u>46,786</u>	<u>36,861</u>
Total Program Services	\$223,795	\$ -	\$223,795	\$196,961
General and Administrative	<u>28,594</u>	<u>-</u>	<u>28,594</u>	<u>39,558</u>
Total Expenses	<u>\$252,389</u>	<u>\$ -</u>	<u>\$252,389</u>	<u>\$236,519</u>
Change in Net Assets	\$ 325	\$(46,786)	\$(46,461)	\$ 55,492
NET ASSETS - Beginning of Year	<u>41,723</u>	<u>50,794</u>	<u>92,517</u>	<u>37,025</u>
NET ASSETS - End of Year	<u>\$ 42,048</u>	<u>\$ 4,008</u>	<u>\$ 46,056</u>	<u>\$ 92,517</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2003  
(With Comparative Totals for 2002)

	2003					2002 Total
	General Program	McKnight Foundation	Total Program Services	General and Administrative	Total	
EXPENSES						
Salaries	\$ 35,841	\$ 5,837	\$ 41,678	\$ 9,729	\$ 51,407	\$ 54,971
Payroll Taxes	2,771	451	3,222	753	3,975	4,118
Employee Benefits	3,118	508	3,626	847	4,473	5,938
Newsletter	9,408	-	9,408	-	9,408	11,133
Grants and Awards	105,031	28,305	133,336	-	133,336	109,694
Project Coordinator	2,670	-	2,670	-	2,670	4,352
Fees, Stipends and Honoraria	2,558	-	2,558	-	2,558	3,512
Travel, Meals and Lodging	4,036	1,008	5,044	1,452	6,496	6,120
Telephone	833	185	1,018	833	1,851	2,208
Postage	1,083	333	1,416	1,048	2,464	2,235
Electricity	253	506	759	253	1,012	1,091
Office Expenses	2,400	782	3,182	814	3,996	2,434
Rent	4,590	6,120	10,710	4,590	15,300	13,800
Gallery Expense	-	900	900	-	900	1,095
Repairs and Maintenance	264	197	461	240	701	1,263
Insurance	212	-	212	335	547	507
Professional Services	177	-	177	1,142	1,319	2,905
Printing and Publications	-	-	-	-	-	4
Memberships	-	-	-	502	502	790
Workshops	148	391	539	914	1,453	1,751
Depreciation	-	983	983	3,201	4,184	4,136
Miscellaneous	1,616	280	1,896	1,941	3,837	2,462
	<u>\$177,009</u>	<u>\$46,786</u>	<u>\$223,795</u>	<u>\$28,594</u>	<u>\$252,389</u>	<u>\$236,519</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2003  
(With Comparative Totals for 2002)

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (46,461)	\$ 55,492
Loss on Disposal of Equipment	500	-
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,184	4,136
(Increase) Decrease in Operating Assets		
Grants Receivable	38,000	(38,000)
Other Receivable	-	2,744
Prepaid Expenses	(411)	(40)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	5,981	467
Grants Payable	<u>(1,082)</u>	<u>(3,466)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>711</u>	\$ <u>21,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of Equipment	\$ <u>(5,285)</u>	\$ <u>-</u>
Net Cash Used by Investing Activities	\$ <u>(5,285)</u>	\$ <u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (4,574)	\$ 21,333
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>65,603</u>	<u>44,270</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u>61,029</u>	\$ <u>65,603</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

NOTE 1. Nature of Operations and Significant Accounting Policies

Nature of Operation:

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 regranting process.

Funding of the Corporation's activities is from two major sources: the Minnesota State Legislature appropriation and the McKnight Foundation. Continuing support from the State legislature is on a year-by-year basis. McKnight support is provided on a biennial 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.



LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

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

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 \$4,184 for the year ended June 30, 2003 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, 2003 a total of \$28,193 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, 2003 consisted of the following components:

	<u>June 30, 2003</u>
Unrestricted:	
General Program	<u>\$42,048</u>
Temporarily Restricted:	
McKnight Foundation	<u>\$ 4,008</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 revenue, expenses and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs which have been allocated include salaries, payroll taxes, telephone, occupancy costs and postage.

NOTE 5. Lease Commitment

On July 16, 2002, the Corporation entered into a two year lease for office space and for an art gallery. The lease term runs from September 1, 2002 through August 31, 2004. The lease calls for monthly payments of \$1,300 due on the first day of each month.

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

NOTE 6. Credit Risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of temporary cash investments. Lake Region Arts Council has placed its temporary cash investment in a high quality money market fund. The fund is not FDIC insured, but is comprised of mainly of government-backed high grade commercial paper.

NOTE 7. 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, 2002, from which the summarized information was derived.