

24-3019

**LAKE REGION ARTS COUNCIL
FERGUS FALLS, MINNESOTA
FINANCIAL REPORT
June 30, 2007**

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 statement of financial position of Lake Region Arts Council (a nonprofit corporation) as of June 30, 2007 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. The prior year summarized comparative information has been derived from the Organization's June 30, 2006 financial statements and, in our report dated September 7, 2006, we expressed an unqualified opinion on those financial statements.

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, 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.

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

September 6, 2007

LAKE REGION ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(With Comparative Totals for 2006)

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 84,828	\$ 53,676
Prepaid Expenses	<u>3,549</u>	<u>1,987</u>
Total Current Assets	\$ <u>88,377</u>	\$ <u>55,663</u>
EQUIPMENT		
Equipment	\$ 35,167	\$ 38,277
Less Accumulated Depreciation	<u>(30,275)</u>	<u>(29,856)</u>
Net Equipment	\$ <u>4,892</u>	\$ <u>8,421</u>
Total Assets	\$ <u>93,269</u>	\$ <u>64,084</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 3,071	\$ 2,158
Agency Funds	2,782	3,056
Grants Payable	<u>26,773</u>	<u>12,665</u>
Total Current Liabilities	\$ <u>32,626</u>	\$ <u>17,879</u>
COMMITMENTS	\$ <u>-</u>	\$ <u>-</u>
NET ASSETS		
Unrestricted	\$ 50,336	\$ 43,520
Temporarily Restricted	<u>10,307</u>	<u>2,685</u>
Total Net Assets	\$ <u>60,643</u>	\$ <u>46,205</u>
Total Liabilities and Net Assets	\$ <u>93,269</u>	\$ <u>64,084</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007
(With Comparative Totals for 2006)

	2007			2006
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Minnesota State Arts Board Grant	\$142,144	\$ -	\$142,144	\$142,144
McKnight Foundation Grant	-	63,500	63,500	38,000
Interest Income	6,981	-	6,981	4,224
Other Revenue	438	-	438	2,500
Net Assets Released From Restrictions	<u>55,878</u>	<u>(55,878)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>\$205,441</u>	<u>\$ 7,622</u>	<u>\$213,063</u>	<u>\$186,868</u>
EXPENSES				
Program Services				
General Program	\$127,453	\$ -	\$127,453	\$128,256
McKnight Foundation	<u>53,736</u>	<u>-</u>	<u>53,736</u>	<u>39,501</u>
Total Program Services	\$181,189	\$ -	\$181,189	\$167,757
General and Administrative	<u>17,436</u>	<u>-</u>	<u>17,436</u>	<u>17,791</u>
Total Expenses	<u>\$198,625</u>	<u>\$ -</u>	<u>\$198,625</u>	<u>\$185,548</u>
Change in Net Assets	\$ 6,816	\$ 7,622	\$ 14,438	\$ 1,320
NET ASSETS - Beginning of Year	<u>43,520</u>	<u>2,685</u>	<u>46,205</u>	<u>44,885</u>
NET ASSETS - End of Year	<u>\$ 50,336</u>	<u>\$ 10,307</u>	<u>\$ 60,643</u>	<u>\$ 46,205</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007
(With Comparative Totals for 2006)

	2007					2006
	Program Services	McKnight	Total	General and	Total	Total
	General	Foundation	Program	Administrative		
	Program		Services			
EXPENSES						
Salaries	\$ 44,215	\$ 4,171	\$ 48,386	\$ 5,459	\$ 53,845	\$ 51,446
Payroll Taxes	3,424	317	3,741	422	4,163	4,022
Employee Benefits	6,471	599	7,070	798	7,868	6,081
Newsletter	4,058	-	4,058	-	4,058	4,172
Grants and Awards	55,649	26,900	82,549	-	82,549	79,817
Travel, Meals and Lodging	3,651	1,432	5,083	549	5,632	5,478
Telephone	874	250	1,124	125	1,249	1,218
Postage	1,184	646	1,830	230	2,060	1,877
Electricity	182	546	728	182	910	1,106
Office Expenses	1,699	848	2,547	482	3,029	1,671
Rent	3,360	10,080	13,440	3,360	16,800	16,800
Gallery Expense	-	1,274	1,274	-	1,274	967
Artist and Mentor Program	-	5,335	5,335	-	5,335	-
Repairs and Maintenance	718	400	1,118	116	1,234	1,296
Parking	216	108	324	36	360	360
Insurance	225	-	225	365	590	604
Professional Services	169	83	252	1,199	1,451	1,515
Consultants	399	-	399	-	399	90
Memberships	-	-	-	708	708	708
Workshops	709	40	749	-	749	380
Depreciation	-	258	258	3,271	3,529	4,052
Miscellaneous	250	449	699	134	833	1,888
	<u>\$127,453</u>	<u>\$53,736</u>	<u>\$181,189</u>	<u>\$ 17,436</u>	<u>\$198,625</u>	<u>\$185,548</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007
(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 14,438	\$ 1,320
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,529	4,052
(Increase) Decrease in Operating Assets		
Prepaid Expenses	(1,562)	1,323
Increase (Decrease) in Operating Liabilities		
Accounts Payable	913	546
Agency Funds	(274)	186
Grants Payable	<u>14,108</u>	<u>(2,918)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>31,152</u>	\$ <u>4,509</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 31,152	\$ 4,509
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>53,676</u>	<u>49,167</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u><u>84,828</u></u>	\$ <u><u>53,676</u></u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 two major sources: the Minnesota State Legislature appropriation 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.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 \$3,529 for the year ended June 30, 2007 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, 2007 a total of \$26,773 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, 2007 consisted of the following components:

June 30, 2007

Unrestricted:

General Program \$50,336

Temporarily Restricted:

McKnight Foundation \$10,307

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 benefited. Costs which have been allocated include salaries, payroll taxes, telephone, occupancy costs and postage.

NOTE 5. Lease Commitment

On May 5, 2004, the Corporation entered into a three year lease for office space and for an art gallery. The lease term runs from September 1, 2004 through August 31, 2007. The lease calls for monthly payments of \$1,400 due on the first day of each month.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 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, 2006, from which the summarized information was derived.