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LAKE REGION ARTS COUNCIL
FERGUS FALLS, MINNESOTA
FINANCIAL REPORT
June 30, 2009

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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, 2009 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, 2008 financial statements and, in our report dated September 9, 2008, 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, 2009, 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

October 5, 2009

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22 North Court
P.O. Box 416
Fergus Falls, MN 56538-041
EMAIL: ssepa@prtcl.com

PH: (218) 736-5618
FAX: (218) 736-4250

26 Central Ave. S
P. O. Box 30
Elbow Lake, MN 56531-0030
EMAIL: sscpa@runestone.net

PH: (218) 685-5314
TOLL FREE: (877) 685-5314
FAX: (218) 685-5431

LAKE REGION ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With Comparative Totals for 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 82,655	\$ 92,345
Grants Receivable	-	55,500
Prepaid Expenses	<u>1,400</u>	<u>2,219</u>
Total Current Assets	<u>\$ 84,055</u>	<u>\$150,064</u>
EQUIPMENT		
Equipment	\$ 40,493	\$ 35,708
Less Accumulated Depreciation	<u>(36,166)</u>	<u>(33,381)</u>
Net Equipment	<u>\$ 4,327</u>	<u>\$ 2,327</u>
Total Assets	<u>\$ 88,382</u>	<u>\$152,391</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 2,464	\$ 4,354
Agency Funds	2,274	2,478
Grants Payable	<u>30,803</u>	<u>29,836</u>
Total Current Liabilities	<u>\$ 35,541</u>	<u>\$ 36,668</u>
COMMITMENTS	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Unrestricted	\$ 35,340	\$ 55,560
Temporarily Restricted	<u>17,501</u>	<u>60,163</u>
Total Net Assets	<u>\$ 52,841</u>	<u>\$115,723</u>
Total Liabilities and Net Assets	<u>\$ 88,382</u>	<u>\$152,391</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Minnesota State Arts Board Grant	\$171,909	\$ -	\$171,909	\$171,792
McKnight Foundation Grant	-	-	-	111,000
Interest Income	155	-	155	3,589
Other Revenue	3,389	1,000	4,389	1,114
Net Assets Released From Restrictions	<u>43,662</u>	<u>(43,662)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>\$219,115</u>	<u>\$(42,662)</u>	<u>\$176,453</u>	<u>\$287,495</u>
EXPENSES				
Program Services				
General Program	\$160,828	\$ -	\$160,828	\$150,338
McKnight Foundation	<u>57,860</u>	<u>-</u>	<u>57,860</u>	<u>63,811</u>
Total Program Services	\$218,688	\$ -	\$218,688	\$214,149
General and Administrative	<u>20,647</u>	<u>-</u>	<u>20,647</u>	<u>18,266</u>
Total Expenses	<u>\$239,335</u>	<u>\$ -</u>	<u>\$239,335</u>	<u>\$232,415</u>
Change in Net Assets	\$(20,220)	\$(42,662)	\$(62,882)	\$ 55,080
NET ASSETS - Beginning of Year	<u>55,560</u>	<u>60,163</u>	<u>115,723</u>	<u>60,643</u>
NET ASSETS - End of Year	<u>\$ 35,340</u>	<u>\$ 17,501</u>	<u>\$ 52,841</u>	<u>\$115,723</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended June 30, 2009
 (With Comparative Totals for 2008)

EXPENSES	2009				2008 Total	
	Program Services General Program	McKnight Foundation	Total Program Services	General and Administrative Total		
Salaries	\$ 47,835	\$10,064	\$ 57,899	\$ 7,031	\$ 64,930	\$ 60,201
Payroll Taxes	3,774	793	4,567	553	5,120	4,636
Employee Benefits	4,803	1,009	5,812	704	6,516	9,270
Newsletter	12,786	-	12,786	-	12,786	4,115
Grants and Awards	74,664	26,500	101,164	-	101,164	100,850
Travel, Meals and Lodging	4,422	1,741	6,163	2,353	8,516	6,505
Telephone	890	254	1,144	127	1,271	1,170
Postage	1,370	575	1,945	166	2,111	2,007
Electricity	183	549	732	183	915	768
Office Expenses	1,900	282	2,182	169	2,351	2,074
Rent	3,360	10,080	13,440	3,360	16,800	16,800
Gallery Expense	-	934	934	-	934	935
Artist and Mentor Program	-	1,923	1,923	-	1,923	7,260
Repairs and Maintenance	965	516	1,481	172	1,653	1,278
Parking	216	108	324	36	360	323
Insurance	242	-	242	430	672	612
Professional Services	338	97	435	1,545	1,980	1,686
Consultants	39	-	39	-	39	8,041
Memberships	-	-	-	606	606	504
Workshops	3,041	4	3,045	505	3,550	249
Depreciation	-	420	420	2,365	2,786	3,106
Miscellaneous	-	2,011	2,011	341	2,352	25
	<u>\$160,828</u>	<u>\$57,860</u>	<u>\$218,688</u>	<u>\$ 20,647</u>	<u>\$239,335</u>	<u>\$232,415</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009
(With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (62,882)	\$ 55,080
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,786	3,106
(Increase) Decrease in Operating Assets		
Accounts Receivable	55,500	(55,500)
Prepaid Expenses	819	1,330
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(1,891)	1,283
Agency Funds	(204)	(304)
Grants Payable	<u>967</u>	<u>3,063</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(4,905)</u>	\$ <u>8,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	\$ <u>(4,785)</u>	\$ <u>(541)</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>(4,785)</u>	\$ <u>(541)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (9,690)	\$ 7,517
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>92,345</u>	<u>84,828</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 82,655</u>	<u>\$ 92,345</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009

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 \$2,786 for the year ended June 30, 2009 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, 2009 a total of \$30,803 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, 2009 consisted of the following components:

	<u>June 30, 2009</u>
Unrestricted:	
General Program	\$ <u>35,340</u>
Temporarily Restricted:	
McKnight Foundation	\$ <u>17,501</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.

NOTE 5. Lease Commitment

On August 31, 2007, the Corporation entered into a two-year lease for office space and for an art gallery. The lease term runs from September 1, 2007 through August 31, 2009. 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, 2009

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, 2008, from which the summarized information was derived.