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**LAKE REGION ARTS COUNCIL
FERGUS FALLS, MINNESOTA
FINANCIAL REPORT
June 30, 2010**

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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, 2010 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, 2009 financial statements and, in our report dated October 5, 2009, 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, 2010, 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
November 9, 2010

LAKE REGION ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(With Comparative Totals for 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$130,865	\$ 82,655
Prepaid Expenses	<u>2,219</u>	<u>1,400</u>
Total Current Assets	\$ <u>133,084</u>	\$ <u>84,055</u>
EQUIPMENT		
Equipment	\$ 57,878	\$ 40,493
Less Accumulated Depreciation	<u>(39,126)</u>	<u>(36,166)</u>
Net Equipment	\$ <u>18,752</u>	\$ <u>4,327</u>
Total Assets	\$ <u>151,836</u>	\$ <u>88,382</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 1,108	\$ 2,464
Agency Funds	2,069	2,274
Grants Payable	<u>72,205</u>	<u>30,803</u>
Total Current Liabilities	\$ <u>75,382</u>	\$ <u>35,541</u>
COMMITMENTS	\$ <u>-</u>	\$ <u>-</u>
NET ASSETS		
Unrestricted	\$ 75,670	\$ 35,340
Temporarily Restricted	<u>784</u>	<u>17,501</u>
Total Net Assets	\$ <u>76,454</u>	\$ <u>52,841</u>
Total Liabilities and Net Assets	\$ <u>151,836</u>	\$ <u>88,382</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	2010			2009
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Minnesota State Arts Board Grant	\$505,602	\$ -	\$505,602	\$171,909
McKnight Foundation Grant	-	56,000	56,000	-
Interest Income	41	-	41	155
Other Revenue	3,008	-	3,008	4,389
Net Assets Released From Restrictions	<u>72,717</u>	<u>(72,717)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>\$581,368</u>	<u>\$ (16,717)</u>	<u>\$564,651</u>	<u>\$176,453</u>
EXPENSES				
Program Services				
General Program	\$127,302	\$ -	\$127,302	\$160,828
McKnight Foundation	73,702	-	73,702	57,860
Arts and Cultural Heritage	<u>323,266</u>	<u>-</u>	<u>323,266</u>	<u>-</u>
Total Program Services	\$524,270	\$ -	\$524,270	\$218,688
General and Administrative	<u>16,768</u>	<u>-</u>	<u>16,768</u>	<u>20,647</u>
Total Expenses	<u>\$541,038</u>	<u>\$ -</u>	<u>\$541,038</u>	<u>\$239,335</u>
Change in Net Assets	\$ 40,330	\$ (16,717)	\$ 23,613	\$ (62,882)
NET ASSETS - Beginning of Year	<u>35,340</u>	<u>17,501</u>	<u>52,841</u>	<u>115,723</u>
NET ASSETS - End of Year	<u>\$ 75,670</u>	<u>\$ 784</u>	<u>\$ 76,454</u>	<u>\$ 52,841</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	2010					2009
	<u>General Program</u>	<u>McKnight Foundation</u>	<u>Arts and Cultural Heritage</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Total</u>
EXPENSES						
Salaries	\$ 35,541	\$ 9,814	\$ 43,288	\$ 4,732	\$ 93,375	\$ 64,930
Payroll Taxes	3,568	985	4,346	475	9,374	5,120
Employee Benefits	3,721	1,407	4,666	324	10,118	6,516
Newsletter and Website	3,784	-	6,605	-	10,389	12,786
Grants and Awards	66,340	18,000	242,600	-	326,940	101,164
Travel, Meals and Lodging	4,483	1,082	3,497	184	9,246	8,516
Telephone	598	234	741	340	1,913	1,271
Postage	249	124	525	216	1,114	2,111
Electricity	219	270	368	219	1,076	915
Office Expenses	1,440	469	3,914	1,173	6,996	2,351
Rent	3,360	16,880	4,900	3,360	28,500	16,800
Gallery Expense	-	12,573	-	-	12,573	934
Artist and Mentor Program	2,297	10,894	-	-	13,191	1,923
Repairs and Maintenance	534	267	430	232	1,463	1,653
Parking	90	45	135	68	338	360
Insurance	-	-	-	806	806	672
Professional Services	-	-	4,945	1,369	6,314	1,980
Consultants	16	8	196	545	765	39
Memberships	-	-	-	1,177	1,177	606
Workshops	758	461	-	299	1,518	3,550
Depreciation	-	189	1,840	920	2,949	2,786
Miscellaneous	304	-	270	329	903	2,352
	<u>\$127,302</u>	<u>\$73,702</u>	<u>\$323,266</u>	<u>\$ 16,768</u>	<u>\$541,038</u>	<u>\$239,335</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 23,613	\$ (62,882)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,949	2,786
(Increase) Decrease in Operating Assets		
Accounts Receivable	-	55,500
Prepaid Expenses	(819)	819
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(1,356)	(1,891)
Agency Funds	(205)	(204)
Grants Payable	<u>41,413</u>	<u>967</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>65,595</u>	\$ <u>(4,905)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	\$ <u>(17,385)</u>	\$ <u>(4,785)</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>(17,385)</u>	\$ <u>(4,785)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 48,210	\$ (9,690)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>82,655</u>	<u>92,345</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$130,865</u>	<u>\$ 82,655</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010

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 \$2,960 for the year ended June 30, 2010 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, 2010 a total of \$72,205 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, 2010 consisted of the following components:

	<u>June 30, 2010</u>
Unrestricted:	
General Program	<u>\$75,670</u>
Temporarily Restricted:	
McKnight Foundation	<u>\$ 784</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, 2009, the Corporation entered into a two-year lease for office space and for an art gallery. The lease term runs from September 1, 2009 through August 31, 2011. The lease calls for monthly payments of \$2,700 due on the first day of each month.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2009, from which the summarized information was derived.