

24-3025

LAKE REGION ARTS COUNCIL  
FERGUS FALLS, MINNESOTA  
FINANCIAL REPORT  
June 30, 2013

LAKE REGION ARTS COUNCIL

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8

# **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, 2013 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, 2013 financial statements and, in our report dated September 19, 2013, 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, 2013, 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 26, 2013

LAKE REGION ARTS COUNCIL  
STATEMENT OF FINANCIAL POSITION  
June 30, 2013  
(With Comparative Totals for 2012)

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$130,468	\$214,900
Prepaid Expenses	7,638	5,971
Accounts Receivable	<u>60,000</u>	<u>120,000</u>
Total Current Assets	<u>\$198,106</u>	<u>\$340,871</u>
EQUIPMENT		
Equipment	\$ 72,277	\$ 57,878
Less Accumulated Depreciation	<u>(51,882)</u>	<u>(47,648)</u>
Net Equipment	<u>\$ 20,395</u>	<u>\$ 10,230</u>
Total Assets	<u>\$218,501</u>	<u>\$351,101</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 7,663	\$ 4,661
Grants Payable	<u>74,455</u>	<u>142,778</u>
Total Current Liabilities	<u>\$ 82,118</u>	<u>\$147,439</u>
COMMITMENTS	\$ -	\$ -
NET ASSETS		
Unrestricted	\$ 70,035	\$ 79,223
Temporarily Restricted	<u>66,348</u>	<u>124,439</u>
Total Net Assets	<u>\$136,383</u>	<u>\$203,662</u>
Total Liabilities and Net Assets	<u>\$218,501</u>	<u>\$351,101</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013			2012
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS				
Minnesota State Arts Board Grant	\$512,254	\$ -	\$512,254	\$492,401
McKnight Foundation Grant	-	-	-	180,000
Interest Income	65	-	65	106
Other Revenue	8,961	-	8,961	40,672
Net Assets Released From Restrictions	<u>58,091</u>	<u>(58,091)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>\$579,371</u>	<u>\$ 58,091</u>	<u>\$521,280</u>	<u>\$713,179</u>
EXPENSES				
Program Services				
General Program	\$118,401	\$ -	\$118,401	\$113,554
McKnight Foundation	58,927	-	58,927	63,836
Arts and Cultural Heritage	<u>396,380</u>	<u>-</u>	<u>396,380</u>	<u>379,987</u>
Total Program Services	\$573,708	\$ -	\$573,708	\$557,367
General and Administrative	<u>14,851</u>	<u>-</u>	<u>14,851</u>	<u>10,244</u>
Total Expenses	<u>\$588,559</u>	<u>\$ -</u>	<u>\$588,559</u>	<u>\$567,611</u>
Change in Net Assets	\$ (9,188)	\$ (58,091)	\$ (67,279)	\$145,568
NET ASSETS - Beginning of Year	<u>79,223</u>	<u>124,439</u>	<u>203,662</u>	<u>58,094</u>
NET ASSETS - End of Year	<u>\$ 70,035</u>	<u>\$ 66,348</u>	<u>\$136,382</u>	<u>\$203,662</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013					2012
	General Program	McKnight Foundation	Arts and Cultural Heritage	General and Administrative	Total	Total
EXPENSES						
Salaries and Wages	\$ 23,340	\$ 4,115	\$ 83,448	\$ 1,276	\$112,179	\$105,516
Payroll Taxes	1,738	311	6,269	96	8,414	8,550
Employee Benefits	3,775	587	12,562	170	17,094	17,136
Newsletter and Website	5,198	-	24,466	-	29,664	24,980
Grants and Awards	61,650	18,050	249,572	-	329,273	319,123
Travel, Meals and Lodging	5,339	1,510	2,066	(800)	8,115	834
Telephone	393	196	903	393	1,885	2,392
Postage	257	132	722	257	1,368	1,161
Electricity	173	728	433	173	1,507	1,475
Office Expenses	922	274	1,433	573	3,202	5,294
Rent	3,360	28,080	8,400	3,360	43,200	43,200
Gallery Expense	-	3,372	-	-	3,372	5,869
Artist and Mentor Program	10,368	-	-	-	10,368	11,157
Repairs and Maintenance	254	127	635	254	1,270	1,146
Parking	117	194	293	117	721	742
Insurance	265	132	-	687	1,084	964
Professional Services	815	721	-	5,670	7,206	7,676
Memberships	-	141	-	1,272	1,413	1,180
Workshops	-	60	1,846	539	2,445	3,911
Depreciation	-	194	3,241	798	4,233	4,168
Miscellaneous	437	3	90	16	546	1,137
	<u>\$118,401</u>	<u>\$58,927</u>	<u>\$396,380</u>	<u>\$ 14,851</u>	<u>\$588,559</u>	<u>\$567,611</u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (67,279)	\$ 145,568
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,233	4,168
(Increase) Decrease in Operating Assets		
Accounts Receivable	60,000	(120,000)
Prepaid Expenses	(1,667)	(1,811)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	3,003	(6,906)
Grants Payable	<u>(68,323)</u>	<u>41,120</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(70,033)</u>	\$ <u>62,139</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	\$ <u>(14,399)</u>	\$ <u>-</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>(14,399)</u>	\$ <u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 84,432	\$ 62,139
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>214,900</u>	<u>152,761</u>
CASH AND CASH EQUIVALENTS, End of Year	\$ <u><u>130,468</u></u>	\$ <u><u>214,900</u></u>

See Notes to Financial Statements.

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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.

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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 \$4,233 for the year ended June 30, 2013 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, 2013 a total of \$74,455 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, 2013 consisted of the following components:

June 30, 2013

Unrestricted:

General Program

\$ 70,035

Temporarily Restricted:

McKnight Foundation

\$ 66,348

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 \$3,600 due on the first day of each month.

LAKE REGION ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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, 2013, from which the summarized information was derived.