

LAKE REGION ARTS COUNCIL
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2024

LAKE REGION ARTS COUNCIL
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B. Johnson & Assoc., Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Region Arts Council
Fergus Falls, Minnesota

Opinion

We have audited the accompanying financial statements of Lake Region Arts Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting and principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Region Arts Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Region Arts Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Region Arts Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Region Arts Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



B. Johnson & Assoc., Ltd.
December 19, 2024

LAKE REGION ARTS COUNCIL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

	2024
ASSETS	
CURRENT ASSETS	
Cash	\$ 204,067
Prepaid Expenses	5,013
Total Current Assets	209,080
PROPERTY AND EQUIPMENT	
Office Equipment	7,700
Less: Accumulated Depreciation	(7,700)
Net Property and Equipment	-
TOTAL ASSETS	\$ 209,080
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Grants Payable	\$ 91,003
Accounts Payable	878
Accrued Expenses	4,623
Total Current Liabilities	96,504
TOTAL LIABILITIES	96,504
NET ASSETS	
With Donor Restrictions	7,896
Without Donor Restrictions	104,680
Total Net Assets	112,576
TOTAL LIABILITIES AND NET ASSETS	\$ 209,080

LAKE REGION ARTS COUNCIL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024

	2024
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Revenue Gains and Other Support	
Grant Received	\$ 890,155
Interest Income	352
Other Income	392
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	59,068
Total Revenue, Gains and Other Support	949,967
 Expenses	
Program Services	
General Program	104,660
McKnight Program	59,359
Arts and Cultural Heritage	740,464
Total Programs and Services	904,483
 Management and General Services	17,226
Total Expenses	921,709
Change in Net Assets Without Donor Restrictions	28,258
 CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:	
Grants	60,000
Satisfaction of Program Restrictions	(59,068)
Change in Net Assets With Donor Restrictions	932
 CHANGE IN NET ASSETS	29,190
 NET ASSETS - BEGINNING OF YEAR	83,386
NET ASSETS - END OF YEAR	\$ 112,576

LAKE REGION ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

2024	Program Services				Total
	General Program	McKnight Foundation	Arts and Cultural	Management and General	
Salaries	\$ 36,997	\$ 10,482	\$ 157,230	\$ 4,931	\$ 209,640
Payroll Taxes	3,214	804	12,048	-	16,066
Employee Benefits	561	1,232	18,491	4,371	24,655
Grants Paid	59,315	22,600	384,816	-	466,731
Other Program Services	324	-	38,025	-	38,349
Gallery Expenses	-	8,939	8,202	-	17,141
Advertising	813	396	61,343	813	63,365
Dues and Subscriptions	-	132	1,985	529	2,646
Travel and Meetings	218	1,373	3,016	-	4,607
Professional Fees	-	980	16,119	3,344	20,443
Lease Costs	2,153	11,269	32,809	2,153	48,384
Office Expenses	753	899	2,269	383	4,304
Utilities	79	39	590	79	787
Telephone	160	80	1,200	160	1,600
Insurance	-	97	1,462	390	1,949
Repairs and Maintenance	73	37	548	73	731
Depreciation	-	-	311	-	311
Total Expenses	<u>\$ 104,660</u>	<u>\$ 59,359</u>	<u>\$ 740,464</u>	<u>\$ 17,226</u>	<u>\$ 921,709</u>

LAKE REGION ARTS COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

	2024
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 29,190
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	311
Change in:	
Prepaid Expenses	(287)
Grants Payable	16,348
Accounts Payable	(1,314)
Accrued Expenses	(186)
Net Cash Provided by Operating Activities	44,062
 NET INCREASE IN CASH	 44,062
 CASH - BEGINNING OF YEAR	 160,005
 CASH - END OF YEAR	 \$ 204,067

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lake Region Arts Council (the Organization) located in Fergus Falls, Minnesota, is a nonprofit organization established for the purpose of strengthening the presence of the arts by supporting opportunities for arts creation, promotion, and education throughout the community in west central Minnesota.

Funding of the Organization'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 Minnesota State Legislature and the McKnight Foundation is on a year-by-year basis.

Basis of Presentation

Financial statements presentation follows the recommendations of the American Institute of Certified Public Accountants in its presentation of financial statements of not-for-profit entities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. The organization has a policy of reporting donor-restricted amounts as unrestricted when the restrictions are met in the same reporting period. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Directors have set aside for a particular purpose.

Net assets with donor restrictions – Those resources subject to a donor-imposed restriction that will be satisfied by actions of the Organization or passage of time. The donor of these types of resources usually permits the Organization to use all or part of the income earned, including capital appreciation or related investments.

The Organization's net assets with donor restrictions are subject to the following purpose restrictions:

	<u>2024</u>
Subject to Specific Purpose Restrictions:	
Support of Individual Artists	\$ 7,896
Total Net Assets with Donor Restrictions	<u>\$ 7,896</u>

In addition, the Organization is required to present a statement of cash flows. At June 30, 2024, the Organization had net assets with and without donor restrictions.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses are recorded in functional categories (program activities, fundraising or management and general) when incurred. Expenses that are not directly identifiable by program or supporting service are allocated based on the best estimates of management. Joint costs are incurred across functional categories during certain events; those costs are allocated based on the best estimates of management. There were no fundraising expenses incurred.

Property and Equipment

Property and equipment is stated at cost, if purchased or at fair value at the date of the gift, if donated, less accumulated depreciation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. The Organization capitalizes all expenditures of property and equipment with a useful life of greater than one year and a unit cost of more than \$5,000.

Depreciation

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets of 5 to 10 years. Depreciation expense totaled \$311 as of the years ended June 30, 2024.

Cash

Cash includes money held in checking and savings accounts and are insured under the Federal Deposit Insurance Corporation. At times cash may exceed insurable limits.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Revenue is recognized when earned. Program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Grants Payable

The Organization awards grants to qualifying organizations and individuals based on an evaluation process carried out by the governing board. In most cases, a portion of the amount awarded is withheld until the project being funded is completed. Grants payable represent amounts authorized by the board of directors for payments to eligible grantees. Grants are paid 80% upfront upon grant approval and 20% on receipt of final report. At June 30, 2024, a total of \$91,003 has been awarded but not yet remitted to grantees.

Prepaid Expenses

Prepaid expenses consist of prepaid insurance, rent, and advertising costs of \$5,013 as of June 30, 2024.

Advertising Costs

The Organization expenses all advertising costs when paid. Advertising expenses for the year ended June 30, 2024 was \$63,365.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

The Organization receives significant contributed services from a variety of unpaid volunteers who assist with the program services, administration, and fundraising and development activities of the Organization. No amounts have been recognized in the statement of activities for the year ended June 30, 2024 because the criteria for recognition have not been satisfied.

Income Taxes

The Organization is a Minnesota nonprofit corporation and is exempt from income taxes under Code Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. As of June 30, 2024, the Organization holds no uncertain tax positions.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 19, 2024, the date the financial statements were available to be issued.

NOTE 2 RETIREMENT PLAN

The Organization has an SEP retirement plan covering all permanent employees. The plan provides a 7% contribution equal to the employees' yearly salary. The total employer contributions for the year ended June 30, 2024, was \$14,672.

NOTE 3 OPERATING LEASES

The Organization leases its office space and equipment under lease agreements that expire November 2024 and July 2024. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and the lease expense is recognized for these leases on a straight-line basis over the lease term. Total lease expense for all leases was \$48,384 for year ended June 30, 2024.

NOTE 4 CONCENTRATIONS

The Organization has a concentration of grant revenues from the Minnesota State Arts Board via the state of Minnesota general fund and the Minnesota Legacy Fund which comprise 94% of total revenue. This funding is subject to renewal on an annual basis.

The Organization has a geographic concentration due to its area served consisting of Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin in west central Minnesota.

LAKE REGION ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 5 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity to meet its operating needs and other commitments. The Organization holds liquid assets totaling \$196,171 as of June 30, 2024, which are readily available within one year of statement of financial position date to meet general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget, which is approved by the Organization's board of directors, and anticipates collecting sufficient revenue to cover general expenditures.