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NORTHWEST MINNESOTA ARTS COUNCIL

FINANCIAL STATEMENTS

JUNE 30, 2013

NORTHWEST MINNESOTA ARTS COUNCIL

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northwest Minnesota Arts Council  
Crookston, Minnesota

**Report on Financial Statements**

We have audited the accompanying financial statements of Northwest Minnesota Arts Council (a non-profit organization), which comprises the statement of financial position as of June 30, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Minnesota Arts Council as of June 30, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DREES, RISKEY & VALLAGER, LTD.

*Drees, Risky & Vallager, Ltd.*

Certified Public Accountants

September 13, 2013  
Crookston, Minnesota

NORTHWEST MINNESOTA ARTS COUNCIL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013

|                                    | 2013      |
|------------------------------------|-----------|
| <u>ASSETS</u>                      |           |
| CURRENT ASSETS:                    |           |
| Cash                               | \$ 98,338 |
| Receivables:                       |           |
| Other                              | 1,554     |
| TOTAL ASSETS                       | \$ 99,892 |
| <u>LIABILITIES AND NET ASSETS</u>  |           |
| CURRENT LIABILITIES:               |           |
| Grants payable                     | \$ 68,580 |
| Accounts payable                   | 3,329     |
| Deferred revenue                   | 18,596    |
| Total Liabilities                  | 90,505    |
| NET ASSETS:                        |           |
| Unrestricted                       | 9,387     |
| Total Net Assets                   | 9,387     |
| TOTAL LIABILITIES AND NET POSITION | \$ 99,892 |

The accompanying notes to the financial statements are an integral part of these statements.

NORTHWEST MINNESOTA ARTS COUNCIL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

|                                    | <u>Unrestricted</u> |
|------------------------------------|---------------------|
| <b>REVENUES AND OTHER SUPPORT:</b> |                     |
| MN State Legacy Fund Grant         | \$ 272,473          |
| McKnight Foundation Grant          | 71,230              |
| MN State Arts Board Grant          | 85,944              |
| Other                              | 10,438              |
| Returned Grants                    | 4,395               |
| Interest                           | 340                 |
| Total Revenues and Other Support   | 444,820             |
| <b>EXPENSES:</b>                   |                     |
| Administrative Services            | 95,160              |
| Grants and Awards                  | 291,504             |
| Travel, Meals and Lodging          | 12,108              |
| Telephone                          | 1,306               |
| Postage                            | 651                 |
| Registration and Membership        | 2,076               |
| Office and Supplies                | 678                 |
| Outside Services                   | 23,920              |
| Rent                               | 2,442               |
| Internet and Computer              | 2,080               |
| Printing                           | 864                 |
| Receptions                         | 3,709               |
| Insurance                          | 29                  |
| Professional Services              | 356                 |
| Miscellaneous                      | 417                 |
| Total Expenses                     | 437,300             |
| CHANGE IN NET ASSETS               | 7,520               |
| NET ASSETS AT BEGINNING OF YEAR    | 1,867               |
| NET ASSETS AT END OF YEAR          | \$ 9,387            |

The accompanying notes to the financial statements are an integral part of these statements.

NORTHWEST MINNESOTA ARTS COUNCIL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

|   | 2013       |
|---|------------|
| <u>CASH FLOWS FROM (TO) OPERATING ACTIVITIES:</u> |            |
| Change in net assets                              | \$ 7,520   |
| Changes in operating assets and liabilities:      |            |
| Receivables                                       | (150)      |
| Deferred revenue                                  | (6,230)    |
| Accounts Payable                                  | 2,529      |
| Grants Payable                                    | 28,006     |
| Net cash from (to) operating activities           | 31,675     |
| <br>INCREASE (DECREASE) IN CASH                   | <br>31,675 |
| CASH - BEGINNING OF YEAR                          | 66,664     |
| CASH - END OF YEAR                                | \$ 98,339  |

The accompanying notes to the financial statements are an integral part of these statements.

NORTHWEST MINNESOTA ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northwest Minnesota 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 Organization was formed to provide funding for artistic endeavors through a re-granting process.

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 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 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 and treated as restricted if donor stipulations limit the use of asset.

Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of operations.

Deferred Revenue

Grants awarded that remain unspent at the end of the year and have not met established criteria for revenue recognition are treated as deferred revenue.

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 Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes

Northwest Minnesota Arts Council is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The federal income tax returns for the years ended June 30, 2013, 2012, 2011 and 2010 are subject to examination by the Internal Revenue Service.



NORTHWEST MINNESOTA ARTS COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

Advertising Costs

The Organization expense advertising costs as incurred.

Subsequent Events

The Organization has evaluated subsequent events through September 13, 2013, the date which the financial statements were available to be issued.

NOTE 2 - GRANTS PAYABLE

Northwest Minnesota 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 \$68,580 has been awarded but not yet remitted to grantees. This amount will be paid during the next fiscal year.