



City of El Cajon



MEETING: April 10, 2007

ITEM NO: Gen. Info. "B"

Agenda Report

DATE: April 3, 2007
TO: Mayor Lewis, Mayor Pro Tem McClellan and Council Members
Kendrick, Ramos and Hanson-Cox
FROM: Director of Recreation
SUBJECT: Art Beat Management Audit – Fiscal Year 2006

RECOMMENDATION: That the City Council receive as information the fiscal year 2006 Art Beat Management annual audit.

BACKGROUND: The City entered into an agreement with Art Beat Management to provide management services for the operation of the El Cajon Performing Arts Center (ECPAC). The agreement requires that an independent annual audit be prepared with a copy provided to the City within six months of the close of fiscal year. A copy of the audit so prepared is provided.

The audit has been prepared by Considine Considine, certified public accounts, for Art Beat Management for the fiscal year ending December 31, 2006. The financial statements have been prepared using the accrual method of accounting. The auditors have stated their opinion that the statements have been prepared in accordance with generally accepted accounting principles and are fairly presented. Note 6 of the audit states that Art Beat Management received \$105,295 in subsidies from SDG&E, which is an error as the subsidy came from the City.

FISCAL IMPACT: All amounts listed in the audit for contributions, renovation fees and capital equipment agree with City records.

PREPARED BY:

Lori M. Beliveau
DIRECTOR OF RECREATION

APPROVED BY:

Kathi Henry
CITY MANAGER

CERTIFIED PUBLIC ACCOUNTANTS

CONSIDINE CONSIDINE

Earning Your Trust Since 1946

ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
FINANCIAL STATEMENTS
DECEMBER 31, 2006

ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER

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CONSIDINE & CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors
Art-Beat Management
A Nonprofit Organization
A Division of Christian Community Theater
1545 Pioneer Way
El Cajon, CA 92020

Independent Auditor's Report

We have audited the accompanying statement of financial position of Art-Beat Management, A Nonprofit Organization (a division of Christian Community Theater), as of December 31, 2006, 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.

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 misstatements. 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 Art-Beat Management, A Nonprofit Organization (a division of Christian Community Theater), as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Considine & Considine

CONSIDINE & CONSIDINE
An Accountancy Corporation

February 28, 2007

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**ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006**

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ASSETS

CURRENT ASSETS

| | |
|---------------------|-----------|
| Cash | \$ 44,682 |
| Accounts Receivable | 19,718 |
| Prepaid Expenses | 27,539 |
| | <hr/> |
| | 91,939 |

PROPERTY AND EQUIPMENT (NOTE 3)

5,176

TOTAL ASSETS

97,115

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|------------------|--------|
| Deferred Revenue | 55,051 |
| | <hr/> |

TOTAL LIABILITIES

55,051

COMMITMENTS (NOTE 4)

NET ASSETS

| | |
|--------------|--------|
| Unrestricted | 42,064 |
| | <hr/> |

TOTAL LIABILITIES AND NET ASSETS

\$ 97,115

**ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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REVENUE

| | |
|--------------------|------------|
| Subsidies (Note 6) | \$ 455,295 |
| Theater Fees | 305,865 |
| Concessions | 27,214 |
| Show Revenue | 6,799 |
| | <hr/> |
| | 795,173 |

EXPENSES

| | |
|------------------------|---------|
| Program | 550,275 |
| Management and General | 202,834 |
| Fundraising | - |
| | <hr/> |
| | 753,109 |

CHANGE IN UNRESTRICTED NET ASSETS

42,064

NET ASSETS - BEGINNING OF YEAR

-

NET ASSETS - END OF YEAR

\$ 42,064

ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

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| | PROGRAM | MANAGEMENT AND GENERAL | FUNDRAISING | TOTAL |
|---|------------|---------------------------|-------------|------------|
| OPERATING EXPENSES | | | | |
| Advertising | \$ 9,284 | \$ - | \$ - | \$ 9,284 |
| Bank Charges | - | 6,659 | - | 6,659 |
| Concessions | 14,755 | - | - | 14,755 |
| Dues and Subscriptions | - | 1,072 | - | 1,072 |
| Insurance | 36,259 | - | - | 36,259 |
| Management Fee (Note 5) | 133,608 | 133,607 | - | 267,215 |
| Office | - | 5,736 | - | 5,736 |
| Outside Services | - | 3,389 | - | 3,389 |
| Payroll | 93,458 | 93,458 | - | 186,916 |
| Payroll Taxes | 8,432 | 8,433 | - | 16,865 |
| Printing | 3,423 | - | - | 3,423 |
| Production | 46,962 | - | - | 46,962 |
| Repairs and Maintenance | 65,454 | 1,426 | - | 66,880 |
| Security | 16,184 | - | - | 16,184 |
| Utilities | 70,732 | - | - | 70,732 |
| Operating Expenses Before Depreciation | 498,551 | 253,780 | - | 752,331 |
| Depreciation | 778 | - | - | 778 |
| Total Operating Expenses | \$ 499,329 | \$ 253,780 | \$ - | \$ 753,109 |

See Accompanying Notes to the Financial Statements

**ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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CASH PROVIDED BY OPERATING ACTIVITY

| | | |
|----------------------|----|--------|
| Change in Net Assets | \$ | 42,064 |
|----------------------|----|--------|

**ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | | |
|-------------------------------|--|----------|
| Depreciation | | 778 |
| Change in Accounts Receivable | | (19,718) |
| Change in Prepaid Expenses | | (27,539) |
| Change in Deferred Revenue | | 55,051 |

8,572

NET CASH PROVIDED BY OPERATING ACTIVITIES

50,636

CASH FLOWS USED BY INVESTING ACTIVITIES

| | | |
|------------------------------------|--|---------|
| Purchase of Property and Equipment | | (5,954) |
|------------------------------------|--|---------|

NET INCREASE IN CASH

44,682

CASH - BEGINNING

-

CASH - ENDING

| | | |
|--|----|--------|
| | \$ | 44,682 |
|--|----|--------|

ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

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NOTE 1 THE ORGANIZATION

Art-Beat Management is a division of Christian Community Theater, which is a not-for-profit California corporation. The Division was established in 2006 when it contracted with the City of El Cajon to manage and provide local and regional entertainment at the East County Performing Arts Center. Under the contract, the Division will manage the East County Performing Arts Center for a term of up to fifteen years, but the contract may be terminated by either party at any time with notice.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles.

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

Accounts Receivable - As of December 31, 2006, accounts receivable consisted of amounts due from the City of El Cajon for the reimbursement of capital expenditures.

Prepaid Expenses - Production expenses for future events are capitalized and expensed as the events occur.

Property and Equipment - The majority of the property and equipment at the El Cajon Performing Arts Center is owned by the City of El Cajon. The Division receives funding from the City of El Cajon for the majority of the Center's equipment needs, and equipment that is purchased with these funds becomes the property of the City of El Cajon. The Division records the receipts as a liability and records subsequent purchases of property and equipment against the liability. For the year ended December 31, 2006, the Division received \$123,541 from the City of El Cajon for property and equipment purchases. All of these funds were spent in 2006. Property and equipment owned by the Division are carried at cost. Depreciation is computed using the straight-line method of depreciation over the assets estimated useful lives of five to ten years. Maintenance and repairs are charged to the expense as incurred; major renewal and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue - Revenues for future events are deferred and recognized as revenue as the events occur.

Renovation Fees - The Division charges a renovation fee of one dollar per ticket sold for shows where patrons receive assigned seating. For those events where either tickets are not sold, or there is no reserved, or assigned seating, a renovation fee of ten percent of the rental amount will be charged. These fees are to be paid to the City of El Cajon on a quarterly basis, to help offset maintenance and improvements to ECPAC. The Division records the receipt of these fees as a liability and records the remittance of these fees against the liability. For the year ended December 31, 2006, the Division received \$47,634 in renovation fees and subsequently forwarded all of these fees to the City by year end.

Income Taxes - As a nonprofit organization, the company has obtained exempt status under Section 501 (c) (3) of the Internal Revenue Code. No taxes are paid in regard to operating for the benefit of the organization's membership.

NOTE 3 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

| | |
|--------------------------|-----------------|
| Computers | \$ 5,954 |
| Accumulated Depreciation | (778) |
| | <u>\$ 5,176</u> |

NOTE 4 COMMITMENTS

The Division has a contract with a janitorial service that expires December 31, 2007. The future commitment under this contract is as follows:

| | |
|------|------------------|
| 2007 | <u>\$ 44,400</u> |
|------|------------------|

Janitorial expense for the year ended December 31, 2006 was \$36,000.

**ART-BEAT MANAGEMENT
A NONPROFIT ORGANIZATION
A DIVISION OF CHRISTIAN COMMUNITY THEATER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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NOTE 5 RELATED PARTY TRANSACTIONS

A management fee of \$267,215 was paid to Christian Community Theater for the year ending December 31, 2006 in compensation for use of personnel and facilities.

NOTE 6 CONCENTRATIONS

The City of El Cajon provides significant financial contributions towards the operation of the center. For the year ended December 31, 2006, the Division received \$350,000 in subsidies from the city. The Division also received an additional \$105,295 in subsidies from SDG&E.