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City of El Cajon



Agenda Report

MEETING: April 10, 2007

ITEM NO.: Gen. Info. "B"

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:

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DIRECTOR OF RECREATION

APPROVED BY:

Kathi Henry
CITY MANAGER

CERTIFIED PUBLIC ACCOUNTANTS

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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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**ART-BEAT MANAGEMENT
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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

91,939

PROPERTY AND EQUIPMENT (NOTE 3)

5,176

TOTAL ASSETS

97,115

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred Revenue	55,051
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TOTAL LIABILITIES

55,051

COMMITMENTS (NOTE 4)

NET ASSETS

Unrestricted	42,064
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TOTAL LIABILITIES AND NET ASSETS

\$ 97,115

ART-BEAT MANAGEMENT
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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
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.

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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.