

BANNING CULTURAL ALLIANCE

Auditors' Report and Financial Statements *December 31, 2008*

SIEBERT BOTKIN HICKEY & ASSOCIATES, LLP
Certified Public Accountants



***Siebert Botkin Hickey
& Associates, LLP***

Board of Directors
Banning Cultural Alliance
Banning, California

Independent Auditors' Report

We have audited the accompanying statement of financial position of Banning Cultural Alliance as of December 31, 2008, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Alliance'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 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Banning Cultural Alliance as of December 31, 2008, 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.

Siebert Botkin Hickey & Associates, LLP

September 14, 2009

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Banning Cultural Alliance
Statement of Financial Position
As of December 31, 2008
Banning Cultural Alliance

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| <u>ASSETS</u> | | | |
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | \$ 1,493 | \$ 50,498 | \$ 51,991 |
| Investments | 116,760 | - | 116,760 |
| Accounts Receivable | 14,678 | - | 14,678 |
| Inventory | 7,315 | - | 7,315 |
| Total Current Assets | <u>140,246</u> | <u>50,498</u> | <u>190,744</u> |
| <u>Property and Equipment</u> | | | |
| Buildings and Equipment, Net of Accumulated Depreciation of \$13,305 as of December 31, 2008 | 343,185 | - | 343,185 |
| Total Assets | <u>\$ 483,431</u> | <u>\$ 50,498</u> | <u>\$ 533,929</u> |
| <u>LIABILITIES and NET ASSETS</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 15,901 | \$ - | \$ 15,901 |
| Total Liabilities | <u>15,901</u> | <u>-</u> | <u>15,901</u> |
| <u>Net Assets</u> | | | |
| Unrestricted | 467,530 | - | 467,530 |
| Temporarily Restricted | - | 50,498 | 50,498 |
| Total Net Assets | <u>467,530</u> | <u>50,498</u> | <u>518,028</u> |
| Total Liabilities and Net Assets | <u>\$ 483,431</u> | <u>\$ 50,498</u> | <u>\$ 533,929</u> |

Banning Cultural Alliance
Statement of Activities
For the Year Ended December 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| <u>OPERATING REVENUES</u> | | | |
| Ticket and Concession Sales | \$ 20,136 | \$ - | \$ 20,136 |
| Alliance Dues | 6,645 | - | 6,645 |
| Fee Revenues | 3,330 | - | 3,330 |
| Rentals | 8,367 | - | 8,367 |
| Vendor Revenue | 3,805 | - | 3,805 |
| Grant Revenue | - | 228,052 | 228,052 |
| Sponsors, Contributions, and Fund Revenue | 7,459 | 30,309 | 37,768 |
| Interest Income | 1,780 | - | 1,780 |
| Other Income | 11,632 | - | 11,632 |
| Net Assets Released From Restriction | 310,341 | (310,341) | - |
| Total Operating Revenues | <u>373,495</u> | <u>(51,980)</u> | <u>321,515</u> |
| <u>COST OF SALES</u> | | | |
| New Merchandise | 2,002 | - | 2,002 |
| Total Cost of Sales | <u>2,002</u> | <u>-</u> | <u>2,002</u> |
| Gross Profit | <u>371,493</u> | <u>(51,980)</u> | <u>319,513</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Utilities | 11,281 | - | 11,281 |
| Program Services | 6,135 | - | 6,135 |
| Stores | 568 | - | 568 |
| Supplies Expenses | 8,545 | - | 8,545 |
| Grant Program Expenses | 8,070 | - | 8,070 |
| Miscellaneous Expenses | 19,806 | - | 19,806 |
| Marketing Expenses | 18,545 | - | 18,545 |
| Rental Expense | 7,115 | - | 7,115 |
| Contractors and Staff Expense | 126,658 | - | 126,658 |
| Insurance | 7,786 | - | 7,786 |
| Depreciation Expense | 13,305 | - | 13,305 |
| Interest Expense | 78 | - | 78 |
| Other Expenses | 2,176 | - | 2,176 |
| Repairs, Improvements and Maintenance | 6,996 | - | 6,996 |
| Total Operating Expenses | <u>237,064</u> | <u>-</u> | <u>237,064</u> |
| Excess of Operating Revenues Over Expenses | <u>134,429</u> | <u>(51,980)</u> | <u>82,449</u> |
| Net Assets, Beginning of Year | 333,101 | 102,478 | 435,579 |
| Net Assets, End of Year | <u>\$ 467,530</u> | <u>\$ 50,498</u> | <u>\$ 518,028</u> |

Banning Cultural Alliance
Statement of Cash Flows
For the Years Ended December 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|--------------|
| <u>Cash Flows From Operating Activities:</u> | | | |
| Excess of Revenues Over Expenses | \$ 134,429 | \$ (51,980) | \$ 82,449 |
| <u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</u> | | | |
| Depreciation | 13,305 | - | 13,305 |
| <u>Change in Assets and Liabilities:</u> | | | |
| Change in Accounts Receivable | (14,678) | - | (14,678) |
| Change in Accounts Payable | 15,901 | - | 15,901 |
| Total Adjustments | 14,528 | - | 14,528 |
| Cash Provided By Operations | 148,957 | (51,980) | 96,977 |
| Change in Inventory | (7,315) | - | (7,315) |
| Change In Investments | (116,760) | - | (116,760) |
| Net (Purchases) Sale of Property and Equipment | (24,994) | - | (24,994) |
| Cash (Used) By Investing Activities | (149,069) | - | (149,069) |
| Net Increase (Decrease) In Cash | (112) | (51,980) | (52,092) |
| Cash, Beginning of Year | 1,605 | 102,478 | 104,083 |
| Cash, End of Year | \$ 1,493 | \$ 50,498 | \$ 51,991 |

Banning Cultural Alliance
Notes to Financial Statements
For the Year Ended December 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES:**

General

Banning Cultural Alliance is a California nonprofit corporation located in Banning, California, formed under the general non-profit corporation laws of the State of California to provide education about and support for art and culture in Banning. It is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation. The organization accomplishes its mission by providing cultural and leisure time activities throughout the year. The Alliance operates an art gallery, art and music events, and community classes related to the arts in the City of Banning. The Alliance receives alliance dues and grants to help fund the operations.

Accounting Method

Banning Cultural Alliance maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received, whether paid or not.

Adoption of Accounting Pronouncements

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The unrestricted group of net assets represents unrestricted resources available for current support of Organization activities. The temporarily restricted net assets include gifts that may be fully expensed but have been restricted by donors for certain purposes, contributions of cash that must be used to acquire property and equipment, or donations of leased facilities where the lease agreement lasts more than one year. When the requirements of the restrictions are met, the Organization releases those funds to the unrestricted fund for current use. Permanently restricted net assets represent endowment funds which by donor restriction require that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The Organization had also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and /or nature of any donor restrictions. Under SFAS No. 116, such contributions that are required to be reported as temporarily restricted support are reclassified to unrestricted net assets upon expiration of the donor restrictions.

Restricted Contributions

The Alliance reports gifts of cash and other assets 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 worth is reclassified to unrestricted net worth as net worth released from restrictions.

The Alliance reports equipment donations as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily or permanently restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of disclosures. Accordingly, actual results could differ from those estimates. Estimates included in the preparation of these financial statements include estimated lives of assets and related depreciation, and valuation of inventory.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less. The Alliance maintains bank accounts at financial institutions in several locations.

Banning Cultural Alliance
Notes to Financial Statements
For the Years Ended December 31, 2008

NOTE 2 - PROPERTY AND EQUIPMENT:

Property, Plant and Equipment

Properties acquired by purchase are recorded at cost. Those acquired by gift are recorded at fair market values estimated at the time they are acquired. Buildings are depreciated over a life of 10 to 30 years, while improvements and major repairs are depreciated over lives of 10 to 20 years. All depreciation is computed on the straight-line method.

Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized.

At December 31, 2008, the land and improvements located in downtown Banning is unrestricted and valued at \$343,185.

Detail of property and equipment at December 31, 2008:

| <u>Description</u> | <u>Amount</u> |
|-------------------------------------|------------------|
| Land | \$250,000 |
| Capital Improvements | 106,490 |
| Total Cost | 356,490 |
| Less: Accumulated Depreciation | (13,305) |
| Net Cost of Property & Equipment | <u>\$343,185</u> |

Annual depreciation expense was \$13,305 for 2008.