



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: January 30, 2009
AUDIT: Miami Beach Cultural Arts Council
PERIOD: October 1, 2006 to September 30, 2007

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This audit of the Miami Beach Cultural Arts Council (CAC) covering the 2006/07 fiscal year was performed in compliance with the annual audit requirements specified by City Code Section 2-64.

INTRODUCTION

On March 5, 1997, the City Commission passed City Ordinance No. 97-3075 thereby creating the Miami Beach Cultural Arts Council (CAC) to develop, coordinate, and promote the performing and visual arts in Miami Beach for the enjoyment, education, cultural enrichment, and benefit of both residents and visitors. Since that time, the City has awarded in excess of \$5,000,000 in cultural art grants, supporting thousands of performances, exhibits and other cultural activities in Miami Beach.

On June 3, 1998 the City Commission approved the Miami Beach Cultural Arts Council Master Plan through Resolution No. 98-22760. The Master Plan process began in October of 1997 and was the result of a series of public town meetings held in cultural venues throughout Miami Beach. At these sessions, Council members heard directly from members of the City's cultural community and from other municipal agencies and boards with a stake in the City's cultural future. The Master Plan included the program areas of Cultural Grants Program, Join Marketing, Cultural Facilities, Advocacy and Planning, and Revenue Development; each with individual objectives.

In fiscal year 2004/05, the City Commission authorized expanding the allocation of the 50% of the 1% Resort Tax previously equally distributed to North Beach, Middle Beach and South Beach, to including funding for the arts. This funding is distributed in the year after it is collected. As a result, the 1% resort tax revenues collected in FY 2005/06 were distributed to North Beach, Middle Beach South Beach and the Arts in FY 2006/07. This commitment of funding for arts and culture provided a new permanent funding source that sustains cultural programming long term.

In an effort to address the needs of the arts community, CAC staff annually reviews each of the grants programs (currently Cultural Anchors; Cultural Heritage; Artistic Disciplines, Arts & Cultural Education, Cultural Presenters; and Cultural Tourism). A summary of each grant program follows:

- Cultural Anchors provide grants to the major preeminent arts institutions physically based in Miami Beach, whose primary mission is year round artistic and cultural programming that contributes significantly to the City's cultural life. Organizations must have minimum organizational budget levels of \$750,000 and the monies received may be used towards operational expenses in association with the annual cultural programming described in the application.
- Cultural Heritage provides project specific grants for arts programming to not-for-profit

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501c(3) Miami Beach based institutions devoted to promoting and protecting the diverse heritage, traditions and culture of Miami Beach. Grants may be used for presentation of visual and performing arts, arts programs and workshops, and other projects which emphasize the artistic experience and are accessible to a broad audience.

- Artistic Disciplines funding is limited to arts and cultural organizations whose primary mission is to create and present work in one of the following artistic disciplines; Dance, Music Theater, Film and Visual Arts. Proposed projects should be for work that is new or has never before been presented in Miami Beach.
- Arts & Cultural Education provides grants to cultural organizations whose primary mission is to provide support for rich and challenging arts learning opportunities for children and adults in Miami Beach schools and neighborhoods. Grants may be used for workshops, lectures/demonstrations, and other projects designed to increase skills and awareness of the arts.
- Cultural Presenters provide grants to organizations whose primary mission is to produce and present cultural and artistic productions.

Suggestions and ideas are received from grantees, grants' panelists, members of the CAC and other granting organizations through orientation meetings held at the beginning of each grant period, consultations with grantees, public application and proposal reviews, public meetings held at the end of the review cycle, the Grants Task Force, and through staff, so that the programs can continually be improved. Program application periods and relevant deadlines are announced in January via press releases, electronic mail, on its website and in area newspapers. Program guidelines, applications and instructions are created in Microsoft Word format and made available on the website in both English and Spanish.

Eligible organizations must be non-profit, 501c(3) cultural organizations and cultural departments within an institution of higher learning (college or university) with tax-exempt status under subsections of 501c(s) wishing to present or produce cultural and artistic events in the City of Miami Beach. Furthermore, any applying organization that satisfies one of the following criteria is not entitled to receive funding:

- applied through a fiscal agent
- received prior CAC grant funding and did not comply with the Grant Agreement and/or other requirements
- did not include the City of Miami Beach logo and required credit line in all publications related to the grant
- received funding from the Miami Beach Visitor and Convention Authority (VCA) during the same fiscal year.

A total of \$895,000 was requested in grant monies by fifty organizations for the 2006/07 fiscal year. Each grant applicant must follow an extensive multi-level public review process which includes a general orientation for all applicants and required consultations with CAC staff to determine eligibility and appropriate programs. Applicants must meet all application requirements, including deadlines, or be disqualified. A mandatory dollar for dollar match is applicable to all grants programs which must be demonstrated through cash, other matching grants and/or in-kind contributions.

Applications were scored by the CAC at a series of publicly noticed panel meetings. Applicants should attend their panel meeting where they will be permitted to respond to panelists' questions. A score will be assigned to the applicant and must exceed 80% to be eligible to receive funding.

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The City Commission through the passage of Resolution No. 2006-26338 awarded grants totaling \$642,888 to these fifty eligible organizations during the audit period. The largest award of \$33,250 was given to the New World Symphony while the lowest amount received was Mid-Eastern Dance Exchange's \$7,566.67. These authorized grant recipients receive half their funding upon submittal and approval of the required documents with the remaining half upon completion.

Additionally, the CAC partnered with the VCA for Cultural Tourism grants that support cultural events with documented tourism benefits. The VCA provided \$75,000 and the CAC has already provided \$50,000 out of their 2005/06 fiscal year budget to fund this program in fiscal year 2006/07. Again, these authorized grant recipients receive half their funding upon submittal and approval of the required documents with the remaining half upon completion.

Program revenues, expenditures and fund balances for the fiscal years as presented in the City's General Ledger were as follows:

FY 06/07	
Beginning Fund Balance	\$ 2,316,112
Actual Revenues	1,619,749
Actual Expenditures	1,135,143
Ending Fund Balance *	\$ 2,800,717

* CAC grant recipients often receive the second half of their funding in the next fiscal year following the submittal and approval of the required documents. Therefore, each fiscal year's beginning and ending fund balances are overstated by these timing balances. For example, the \$2,800,717 ending fund balance includes \$146,129.34 in grant funds awarded during the 2006/07 fiscal year that were actually paid in 2007/08.

CAC's ending fund balance, which includes an endowment of \$1,220,000 held in a restricted cash account, increased by \$484,606 (20.92%); from \$2,316,112 to \$2,800,717 as of September 30, 2007. In fiscal year 2006/07, the City Commission appropriated 50% of the 1% of Resort Tax (\$824,082 was budgeted) to each of North Beach, Middle Beach, South Beach and Tourism and Cultural Development for Cultural Affairs.

Under Resolution No. 99-23228, the City Commission approved the appropriation of \$220,000 from the CAC budget to provide matching funds in the form of a non-interest bearing loan to fund a portion of the Colony Theatre Improvements. Since the City was able to obtain the maximum grant award from the State's Cultural Arts Facilities Grant Program, the loan has been reduced to \$165,000. The City will repay the loan to the Cultural Arts Council from the 70% recapture of the Colony Theatre Café revenues. As of September 2007, the total amount in the Colony Theater Trust account was \$143,139.82 with no payments made during the 2006/07 and 2007/08 fiscal years.

OVERALL OPINION

The Cultural Arts Council (CAC) has properly followed the guidelines established by the Miami Beach City Commission as to their purpose in the City. It has established a master plan for the arts, and developed and established criteria and guidelines for review and funding for qualified not-for-profit organizations. The entire program's funds were properly and timely deposited, accounted for, and recorded in the CAC's books and records. However, allocation for interest earned was not properly recorded, and balances for endowment funds were not reflective of the proper amount.

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As the result of our verification of departmental measures, we noted that there were inaccuracies in some of the measures reported in the City's performance management software. These measures should be changed to reflect the data supported by the department's records.

PURPOSE

To determine whether the Cultural Arts Council complied with tested requirements set forth by the City Commission during the 2006/07 fiscal year, which includes the timely distribution of approved grant funds in the correct amount to qualified eligible not-for-profit organizations; properly reported all grant payments in the City's Financial System; accurately reported data in the City's performance management software.

SCOPE

1. Confirm that the Cultural Arts Council has developed, established and adhered to criteria and guidelines for review and funding of qualified not-for-profit arts organizations.
2. Confirm that the Cultural Arts Council consists of eleven members, who are appointed for three-year terms and no more than six consecutive years, are residents or own businesses on Miami Beach.
3. Confirm that Cultural Arts Council meetings are held once a month (excluding August) and that one public hearing is held annually.
4. Confirm that grant payments were correctly recorded in the City's Financial System.
5. Select a sample of grants awarded, ensuring that all grant categories are represented, and confirm that funds paid for grants were for approved programs, meeting the criteria set forth by the Cultural Arts Council.
6. Confirm that departmental measurement data reported on the City's performance management system is accurately calculated and properly supported by source documentation.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. *Finding – Endowment (restricted cash) balance and Earned Interest*

Along with the adoption of the Cultural Arts Council's Master Plan, the Revenue Development area of the program was approved. The main objective of this program area was to develop a strategy to ensure the availability of sufficient recurring revenues for the continuing of the arts development in Miami Beach. In relation to the objective, the Council agreed to include an endowment as part of its budget. The purpose for the endowment was to provide funding for the program from interest earned once the fund balance grows to sufficient levels that could sustain the program outflows. The endowment balance of \$1,220,000, as of September 30, 2007 is reflected in a "restricted cash" category of the City's General Ledger ensuring its conservation.

As a result of our audit we found that endowment increases were the result of City contributions through the program's budget process. Earned interest that should have been added to the overall endowment balance at the end of each fiscal year was not included in the endowment balance, therefore slowing the endowment's growth. However as contained in the City's Manager's Adopted Budget Message of 9/26/07, it is clear that the City's intent was to apply interest earnings to the fund.

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Recommendation(s)

In order to show the correct balance of the endowment funds, Internal Audit recommends calculating (considering interest compounding) the corresponding interest earned starting on fiscal year 1998/99 through the current fiscal year by the endowment funds and reclassifying it from the pooled cash to the overall endowment balance. Completing this entry will contribute to a more accurate representation of current endowment balances.

Management Response

Based on your recommendation, the Finance department will do the following effective for the fiscal year beginning October 1, 2008:

- Rename the general ledger account 'Endowment – Cash'.
- Calculate on a compounded basis, the interest earned from fiscal year 1999, which is the year the endowment balance was first posted to the general ledger.
- Reclassify the interest earned on the endowment cash from fiscal 1999 through fiscal year 2008 from the pooled cash account to the Endowment – Cash account.
- Calculate and credit interest to the Endowment – Cash account on a quarterly basis beginning in fiscal year 2009.

2. Finding – Cultural Arts Council's Fund Balance

The Cultural Arts Council's (CAC) year-end fund balance increased from \$1,253,084.21 in the 2004/05 fiscal year to \$2,800,717 for 2006/07 including \$146,129.34 in monies still owed to grant recipients at year end. Although outside the specified audit period, the year-end fund balance was determined to be \$3,048,347 for 2007/08, as it continues to grow each year. The current fund balance increase includes an endowment fund contribution of \$100,000 for the 2006/07 year. As reflected on Exhibit 3, latter attached to the report, the fund balance increased for a total of \$384,606, excluding the aforementioned endowment contribution (increased \$484,606 if including the endowment contribution). Interest earned from the endowment is also included on the fund increase amount of \$384,606 and responsible for the overall Cultural Arts Council's fund balance.

Recommendation(s)

Once implementing the recommendation from finding 1, any remaining surplus (\$384,606 minus calculated interest for the year) could be contributed to the endowment (restricted cash) balance; therefore facilitating the continuing growth of the endowment funds.

Management Response

The Finance and Tourism and Cultural Development departments agree that the fund balance continues to increase. The recommendation provided for use of the surplus is useful, but the Tourism and Cultural Development department would like the opportunity to recommend alternative uses for the surplus. This will occur during the fiscal year 2010 budget process.

3. Finding – Colony Theatre Café/Segafredo Loan Repayments

Under Resolution No. 99-23228, the City Commission approved the appropriation of \$220,000 from the CAC budget to provide matching funds in the form of a non-interest bearing loan to fund a portion of the Colony Theatre Improvements. Since the City was able to obtain the maximum grant award from the State's Cultural Arts Facilities Grant Program, the loan was subsequently reduced to \$165,000. The City was to repay the loan to the CAC from the 70% recapture of the Colony Theatre Café/Segafredo rental revenues.

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Monies received from the rental revenues were placed into the Colony Theatre Trust Account 601-7000-229220 through 09/30/05 as the balance grew to \$143,139.82. However, no additional monies were put into this trust account during the 2006/07 and 2007/08 fiscal years despite continuing to collect rental revenues and not yet reaching the \$165,000 desired balance.

We could not locate any evidence that the City (CAC) loaned \$165,000 to the Colony Theatre Café. Consequently, the monies should not be held in a trust account to pay back a loan that was not made.

Recommendation(s)

Since the initial purpose of the loan was to assist in the funding of the renovation of the Colony Theatre is no longer valid, the Finance Department should research the possibility to close the trust account and transfer the \$143,139.82 balance to the operating account/General Fund so that it can be used for other purposes. However, we suggest completing the transfer after January 2009, once all grants that might have require the guarantee are closed.

Management Response

The Finance Department could not locate any evidence of a loan in the amount of \$165,000 from the Cultural Arts Council to the Colony Theatre. We agree that since there is no evidence of an agency relationship for the \$143,139.82 which is currently recorded in the City's agency fund (601-7000-229220), that the account should be closed and the funds transferred to the City. The Tourism and Cultural Development Department would like to recommend that the funds be placed in a capital reserve fund for future capital needs of the Colony Theater.

4. Finding – Tested Grantee Applications

Fifty grantees applications were awarded monies by the CAC for the 2006/07 fiscal year. Ten (20% of total grant recipients) of these grant recipients were selected, ensuring representation of all award categories (Cultural Anchors; Cultural Heritage; Artistic Disciplines, Arts and Cultural Education, Cultural presenters, and Cultural Tourism) on the sample, for testing representing \$175,808 out of a total of \$642,888 awarded or 27.35%. The corresponding grant files were reviewed to confirm that the eligibility requirements had been satisfied (i.e. to determine whether the final reports were submitted with the proper supporting documentation and copies of the cancelled checks as required by CAC procedures). All tested grant files were found to have the required supporting documentation.

In addition, we verified that the required bylines and logos were present in the grantees' advertisements and literature. We also confirmed that the grants were awarded in the correct categories. No exceptions were noted during the audit period as CAC is properly documenting the awarded tested programs in the grantees' files.

Recommendation(s)

No response is needed.

5. Finding – Review of Departmental Measures

The CAC measures both the number and amounts of grants awarded by the Commission, as well as the actual number of grants issued (output measures). These numbers may differ as the number of grants issued is usually not available until the end of the year since grantees may withdraw or be denied funding due to not fulfilling grant requirements.

These departmental measures are reported in the City's performance management software.

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We reviewed the basis for each measure and compared the reported amounts to the actual supporting documentation.

For the measures reported annually in the City's Environmental Scan we noted the following differences:

Fiscal Year	# of grants Awarded			Grant Award Amounts			
	CAC	Audited	Difference		CAC	Audited	Difference
2004	51	53	-2		\$500,750	\$500,750	\$0
2005	49	49	0		\$599,015	\$599,015	\$0
2006	50	47	3		\$613,810	\$613,810	\$0
2007	51	50	1		\$642,887	\$642,887	\$0

A review of these measures reported in the Environmental Scan published in 2008 showed that the audited differences, noted for the 2003/04, 2005/06 fiscal years reported in our previous year audit, were not corrected as of the conclusion of this audit. For the fiscal year 2006/07, the CAC reported that the City Commission awarded fifty-one grants totaling \$642,887 when City Resolution 2006-26338 stated that only fifty grants were awarded. Internal Audit's subsequent review of CAC's provided records confirmed that the listed audited figures were correct.

Results from the audit of the amount of cultural grants issued (paid out), as reported in the performance management software were as follows:

Fiscal Year	# of grants Issued (Actual)			# of grants Issued (Goal)			
	CAC	Audited	Difference		CAC	Audited	Difference
2004	47	47	0		53	53	0
2005	45	45	0		49	49	0
2006	50	45	5		47	47	0
2007	51	49	2		50	50	0

A review of the performance management software showed that the audited difference noted in the 2005/06 fiscal year reported in our previous year audit, was not corrected as of the conclusion of this audit. Meanwhile, fifty-one grants are listed as issued for the 2006/07 fiscal year, which contradicts CAC's supporting records indicating that there were only forty-nine. Internal Audit's testing showed that the Entertainment Industry Incubator did not qualify to receive any of the \$8,155.56 previously awarded by the City Commission thereby reducing the number awarded of fifty to forty-nine.

Finally, the description for this measurement in City's Performance Management software was left blank leaving no indication as how the measure is derived.

After completing our review of the above measures for fiscal year 2006/07, we determined the following assessment categories suitable as defined in Exhibit 1 attached:

Source	Name of Measure	Assessment Category
Environmental Scan	# of grants Awarded	Certified with Qualifications
Environmental Scan	Grant Award Amounts	Certified
Performance Management Software	# of grants Issued (Actual)	Inaccurate

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Recommendation(s)

The identified incorrect measures for grants awarded on the Environmental Scan and for the number of grants issued, reported in the performance management software, should be corrected. In addition, the description field in the performance measure should be revised by the department to include the methodology for deriving the measure, the data source, and references and/or sources of comparable benchmarks.

Management's Response

Tourism and Cultural Development agrees with the aforementioned recommendation.

EXIT CONFERENCE

An exit conference was held on January 16, 2009 and the participants included Max Sklar (Tourism Development Director), Gary Farmer (Cultural Affairs Program Manager), Mary Heaton (Grants & Operations Administrator), James Sutter (Internal Auditor), Mark Coolidge (Senior Auditor) and Fidel Miranda (Auditor). A second exit conference was held on January 23, 2009 with Georgie Echert (Assistant Finance Director) and Allison Williams (Chief Accountant). All present were in agreement with the findings and recommendations discussed and management responses were submitted shortly thereafter for inclusion in this report.

JJS:LR:MC:FM

Audit performed by Laura Franco-Rubines, Mark Coolidge and Fidel Miranda

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cc Max Sklar, Cultural Arts and Tourism Development Director
Gary Farmer, Cultural Affairs Program Manager
Patricia Walker, Chief Financial Officer
Georgie Echert, Assistant Finance Director

EXHIBIT: 1 – Assessment Categories for Performance Measures Verification

Assessment Category	Criteria
Certified	If reported performance is 100% accurate and if it appears that controls are in place to ensure accuracy for collecting and reporting performance data. Measurement data is supported by source documents.
Certified with Qualifications	This category is assigned under either one of two conditions: 1. <i>Reported performance is within +/- 3%, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</i> 2. <i>The department's calculation of actual performance deviates from the measure definition, but was still within an acceptable range.</i>
Factors Prevented Certification	Documentation is unavailable or incomplete and controls are not adequate to ensure accuracy. This category is also assigned when there is a deviation from the measure definition and the reviewer cannot determine the correct measure result.
Inaccurate	Actual performance is not within 3% of reported performance, or there is a greater than 5% error in the sample of documents tested.

EXHIBIT: 2 - Additional References for Performance Management Software's Description of Measure

- 1) Measure Name:** Should list the name of the measure for which data is being collected and reported.
- 2) Measure Type:** Should recognize whether the measure is an "Input", "Output", or "Outcome" measure. One must consider whether results are measured through input (Ex: Customer surveys), output (Ex: Number of contracts completed without change orders), or outcome (Ex: % of projects substantially completed or in beneficial use within 120 days).
- 3) Measure Description:** Should describe the measure. Some measures are self explanatory and some may not; however, a description should always be included (Ex: The measure considers the % of change in the value of the change orders for a specific category divided by the original project cost).
- 4) Measure Frequency:** Describes how often performance data is reported (Ex: Quarterly).
- 5) Data Sources:** Should list sources used to collect performance data (Ex: System Software Names, Report Names, Schedules, etc.)
- 6) Calculation Methodology:** Should explain how data reported was calculated (Ex: change orders for that quarter divided by the original total projects costs, projects substantially completed or in beneficial use within 120 days of the contract milestone date divided by the total number of projects completed during the same quarter).

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EXHIBIT: 3 - A

CULTURAL ARTS COUNCIL (C.A.C.)
FINANCIAL SUMMARY FOR FISCAL YEAR 2007
(BALANCE SHEET AS OF SEPTEMBER 30, 2007)
"UNAUDITED"

ASSETS:

CASH IN BANK

SUNTRUST – POOLED CASH	\$1,613,137.53
SUNTRUST – CULTURAL ARTS COUNCIL	\$ 16,038.67
TOTAL CASH IN BANK	<u>\$1,629,176.20</u>

ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE – CITY BILLS	\$ 50,000.00
ACCOUNTS RECEIVABLE – MISCELLANEOUS	\$ 48,247.23
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 98,247.23</u>

RESTRICTED ASSETS – ENDOWMENT

CASH – RESTRICTED	\$1,220,000.00
TOTAL RESTRICTED ASSETS – ENDOWMENT	<u>\$1,220,000.00</u>

TOTAL ASSETS:

\$2,947,423.43

LIABILITIES:

ACCOUNTS PAYABLE

ACCOUNTS PAYABLE – YEAR END	\$ 141,869.89
TOTAL ACCOUNTS PAYABLE	<u>\$ 141,869.89</u>

ACCRUED WAGES PAYABLE

ACCRUED WAGES PAYABLE	\$ 2,305.38
TOTAL ACCRUED WAGES PAYABLE	<u>\$ 2,305.38</u>

ACCRUED EXPENSES

ACCRUED EXPENSES – MISCELLANEOUS	\$ 2,530.96
TOTAL ACCRUED EXPENSES	<u>\$ 2,530.96</u>

TOTAL LIABILITIES:

\$ 146,706.23

EQUITIES:

RETAINED EARNINGS – BEGINNING BALANCE	\$2,316,111.77
CURRENT YEAR RESULTS	<u>\$ 484,605.43</u>

TOTAL EQUITIES:

\$2,800,717.20

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EXHIBIT: 3 - B

CULTURAL ARTS COUNCIL (C.A.C.)
FINANCIAL SUMMARY FOR FISCAL YEAR 2007
(STATEMENT OF REVENUES AND EXPENSES FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007)
"UNAUDITED"

REVENUE / INFLOWS:

INTEREST REVENUE

INTEREST – US GOVERNMENT AGENCY	\$ 428,833.32
INTEREST – REPURCHASE AGREEMENT	\$ 2,374.27
INTEREST ALLOCATED – POOLED CASH	\$ 76,632.98
TOTAL INTEREST REVENUE	\$ 507,840.57

OTHER CONTRIBUTIONS AND DONATIONS

CONTRIBUTIONS – ENDOWMENT	\$ 100,000.00
TOTAL OTHER CONTRIBUTIONS AND DONATIONS	\$ 100,000.00

TRANSFER INFLOWS

TRANSFERS FROM GENERAL FUND	\$ 202,000.00
TRANSFERS FROM RESORT TAX – 1%	\$ 809,908.19
TOTAL TRANSFER INFLOWS	\$1,011,908.19

TOTAL REVENUE / INFLOWS:

\$1,619,748.76

EXPENSES / OUTFLOWS:

PERSONNEL SERVICES

SALARIES AND WAGES	\$ 124,985.43
HEALTH AND LIFE INSURANCE	\$ 6,130.14
SOCIAL SECURITY AND MEDICARE	\$ 1,778.82
TOTAL PERSONNEL SERVICES	\$ 132,894.39

OPERATING EXPENDITURES

PROFESSIONAL SERVICES	\$ 97,934.26
TELEPHONE	\$ 463.78
POSTAGE AND SHIPPING	\$ 337.09
RENT – BUILDING AND EQUIPMENT	\$ 570.84
PRINTING	\$ 96.00
OFFICE SUPPLIES	\$ 2,614.40
OPERATING EXPENDITURES – OTHER	\$ 2,236.16
PROGRAM OPERATIONS	\$ 207,231.25
CONTRACTUAL SERVICES – OTHER	\$ 638,842.00
DUES AND MEMBERSHIPS	\$ 1,221.50
PROMOTIONS	\$ 841.96
TRAINING AND AWARDS	\$ 4,709.65
TOTAL OPERATING EXPENDITURES	\$ 957,098.89

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EXHIBIT: 3 – B (CONTINUED)

INTERNAL SERVICES

CENTRAL SERVICES	\$ 1,230.55
COMMUNICATIONS	\$ 5,990.00
SELF INSURANCE	\$ 22,475.00
COMPUTERS	\$ 15,427.00
PROPERTY ELECTRICITY CONTRACT	\$ 27.50
TOTAL INTERNAL SERVICES	\$ 45,150.05

TOTAL EXPENSES / OUTFLOWS: **\$1,135,143.33**

NET FUND INCREASE / (DECREASE): **\$ 484,605.43**

EXHIBIT: 3 - C

NOTES TO THE FINANCIAL SUMMARY:

1. The net increase of the fund balance in the amount of \$484,605.43 includes \$100,000.00 of endowment contribution from the SunTrust – Pooled Cash account. Net fund increase, excluding endowment contributions (restricted cash) was \$384,605.43 during Fiscal Year 2007. In addition, there were two transfer inflows included in the calculation of net fund increase; one in the amount of \$809,908.19 from one percent (1%) of resort tax collections, and the other in the amount of \$ 202,000.00 from the General Fund, as reflected on the adopted budget for FY 2006/07 to fund the program.
2. Interest earned from restricted cash (endowment contributions) was included in the balance of \$76,632.98 reflected on the allocated interests from pooled cash. Both balances, the restricted cash balance and the pooled cash balance, were considered to calculate the allocated interest earned.
3. Earned interest from restricted cash (endowment contributions) was never added to the total restricted cash balance. Restricted cash (endowment) increases during the current fiscal year, as well as prior fiscal years, are the result of endowment contributions from the pooled cash account, excluding interest earned. Annual restricted cash (endowment) contribution amounts are established by resolution at the end of each fiscal year.