Finance Report
for
Arts RAP Tax Disbursement

Date: *January 3, 2019*

Purpose: *Discuss Options for RAP Tax Funds that are not Obligated*

Recommendation: *Council Discretion*

Background:

The city accepts Arts RAP Tax applications until the end of December. The city received 3 applications this past December, Kayenta Arts Foundation, Tuacahn Center for the Arts, and Ivins City. The city has contractual obligation to provide Arts RAP Tax to Tuacahn ($10,000) and KAF ($5,000 this year). After these obligations are paid, there remains $21,451 that can be distributed.

KAF has made a request for $10,000 additional RAP Tax funds for the outfitting of the multi-purpose studio. Tuacahn has requested $10,000 for improvements to Christmas in the Canyon. Ivins City has requested $20,00for the new entrance signs on Highway 91. All 3 requests are attached for your review, along with a breakdown of the available RAP Tax Funds.

Staff does not make recommendations on this item as it is the Council's discretion for RAP Tax fund disbursements.

Respectfully,

Wally Ritchie
Director of Finance

January 3, 2019

Ivins City
RAP Tax Collections - Availability
As of December 31, 2018

Revenue - Dec to Dec For 2018	$ 114,353	
Less Reserve	(5,000)	Per City Council
Total Available for Distribution	**$ 109,353**	
1/3 Parks Portion of RAP Tax	**$ 36,451**	
1/3 Recreation Portion of RAP Tax	**$ 36,451**	
1/3 Arts Portion of RAP Tax	**$ 36,451**	
Less Tuacahn Commitment	(10,000)	
Less KAF Commitment	(5,000)	
Total Available	**$ 21,451**	

KAYENTA ARTS FOUNDATION



December 17, 2018

Ivins City Council
Attn: Dale Coulam, City Manager
Ivins City Hall
55 North Main St.

Dear Council Members:

We are grateful for the Council's award of $5,000 in accordance with our MOA for RAP funding. We are also requesting your consideration for an additional $10,000 in accordance with section 4 of Resolution No. 2015-03R establishing the formula and process for the distribution of RAP Tax funding.

RAP funds will be used as matching funds for the outfitting of the multi-purpose studio in the Center for the Arts. The studio is a 900 square foot space independent from the Center's black box theater. A detailed description of the projects we intend to complete is listed in the attachments to this proposal.

Once the Center opened in late 2017 all outfitting funds were directed to improvements within the black box theater. It was necessary that our first priority be to provide the necessary improvements in the theater to present professional productions to our audiences.

Outfitting the Studio is our next priority. We currently have requests for studio space from the St George Dance Company, Diamond Talent Dance Academy, and Vista School of Performance and Science. Once outfitting is complete we also intend to make the space available for community meetings, business conferences and private events. It will also be used as rehearsal space for productions in the theater.

KAF's mission statement is "To develop and create an environment that fosters diverse artistic endeavors for educational and enrichment purposes". We sincerely believe that all activities at the Center must continue to focus on these principles. We ask that Ivins City continue to support the Center for the Arts by funding this outfitting request at the $10,000 level.

Sincerely

Roger Head

Funding Committee Chair

KAYENTA ARTS FOUNDATION

Ivins City RAP Attachments

a. Kayenta Arts Foundation
881Coyote Gulch Court
Ivins, UT 84738

Phone: (435) 674-2787

email: kayentapac@gmail.com

Website: www.kayentaarts.com

b. Proof of non-profit status: See attached

c. Sources of funding: See attached

d. Kayenta Arts Foundation was formed in February, 2011. Latest financial statement is attached.

e. Ivins City RAP funds will be used as a 17% match for our requested Eccles Grant as well as private donations for the outfitting items outlined in f. below.

f.

Proposed Studio Outfitting			
Item	Materials	Installation	Total
Overhead Projector, Powered Roll Down Screen and Theater Curtains	$9,460	$1,600	$11,060
Sound Attenuation Panels	$1,250	$1,000	$2,250
Frameless Wall Mirror System	$3,600	$600	$4,200
High Performance Wood Dance Flooring	$6,000	$7,776	$13,776
Lighting Grid and DMX Board	$4,400	$8,000	$12,400
Modify Exterior Door and Threshold	$1,150	$200	$1,350
Soundproof Studio and Theater Doors	$1,600	$800	$2,400
Storage Area Improvements	$2,400	$1,400	$3,800
Shipping, OH and Administration (15%)			$7,685
Total			$58,921

g. Previous Ivins City RAP funding

KAF received $10,000 in City RAP revenues for use during its 2018 fiscal year.

KAF is pleased to report that it was able to use these funds, in conjunction with a $30,000 Eccles Foundation grant and private donations in a campaign to purchase and install sound and audio equipment, risers, stage props, a system for the hearing impaired, and a Yamaha grand piano. These were necessary additions for the presentation of professional performances. Together the cost of these items totaled $180,000 These items were successfully purchased and installed with the assistance of the following sources:

Ivins City RAP Funds	**$10,000**
Eccles Foundation Grant	$30,000
In-Kind Piano Gallery Donation	$30,000
Private Donations	$110,000

KAYENTA ARTS FOUNDATION

Attachment C: Sources of Funding

Ivins City RAP Funds	$10,000
Eccles Foundation*	$30,000
Private Donations**	$18,921
Total	**$58,921**

* Eccles Grant Request to be submitted January, 2019

**Outfitting Campaign to be undertaken Spring, 2019

Financial Statements
December 31, 2017 and 2016

Kayenta Arts Foundation

Kayenta Arts Foundation
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CPAs & BUSINESS ADVISORS

Independent Accountant's Review Report

To the Board of Directors
Kayenta Arts Foundation
Ivins, Utah

We have reviewed the accompanying financial statements of Kayenta Arts Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Salt Lake City, Utah
September 6, 2018

Kayenta Arts Foundation
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	$ 146,016	$ 192,413
Accounts receivable, net	1,600	3,622
Prepaid expenses	2,500	-
Property and equipment, net	1,911,135	1,298,630
Total assets	$ 2,061,251	$ 1,494,665
Liabilities and Net Assets		
Accounts payable	$ 171,077	$ 1,721
Accrued expenses	5,197	-
Total liabilities	176,274	1,721
Net Assets		
Unrestricted	1,884,977	1,492,944
Total net assets	1,884,977	1,492,944
Total liabilities and net assets	$ 2,061,251	$ 1,494,665

Kayenta Arts Foundation
Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue, Support, and Gains			
Government grants	$ -	$ 24,131	$ 24,131
Individual / business contributions	97,023	317,831	414,854
Gifts in Kind	59,989	-	59,989
Membership donations	15,109	-	15,109
Gross special events revenue	131,184	-	131,184
Less cost of direct benefits to donors	(104,534)	-	(104,534)
Net special events revenue	26,650	-	26,650
Net assets released from restrictions	341,962	(341,962)	-
Total revenue, support, and gains	540,733	-	540,733
Expenses and Losses			
Program expenses	93,480	-	93,480
Supporting services expense			
Management and general	52,524	-	52,524
Fundraising expenses	2,696	-	2,696
Total expenses	148,700	-	148,700
Change in Net Assets	392,033	-	392,033
Net Assets, Beginning of Year	1,492,944	-	1,492,944
Net Assets, End of Year	$ 1,884,977	$ -	$ 1,884,977

Kayenta Arts Foundation
Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue, Support, and Gains			
Government grants	$ -	$ 14,500	$ 14,500
Individual / business contributions	478,375	147,000	625,375
Gifts in kind	39,457	-	39,457
Gross special events revenue	40,056	-	40,056
Less cost of direct benefits to donors	(35,124)	-	(35,124)
Net special events revenue	4,932	-	4,932
Program income	21,371	-	21,371
Net assets released from restrictions	617,186	(617,186)	-
Total revenue, support, and gains	1,161,321	(455,686)	705,635
Expenses and Losses			
Program expenses	62,374	-	62,374
Supporting services expense			
Management and general	37,062	-	37,062
Fundraising expenses	25,858	-	25,858
Total expenses	125,294	-	125,294
Change in Net Assets	1,036,027	(455,686)	580,341
Net Assets, Beginning of Year	456,917	455,686	912,603
Net Assets, End of Year	$ 1,492,944	$ -	$ 1,492,944

Kayenta Arts Foundation
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Expenses	Management and General	Fundraising Expenses	Total
Advertising and marketing	$ 30,602	$ 6,718	$ -	$ 37,320
Artists and presenters	35,921	-	-	35,921
Contract labor	3,386	7,194	-	10,580
Depreciation	45,318	-	-	45,318
Miscellaneous fees	1,797	6,740	2,696	11,233
Miscellaneous theatre expense	28,194	-	-	28,194
Other operating costs	21,435	-	-	21,435
Professional fees	11,624	23,601	-	35,225
Rent expense	9,916	862	-	10,778
Supplies	9,821	7,409	-	17,230
Total expenses by function	198,014	52,524	2,696	253,234
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	(104,534)	-	-	(104,534)
Total expenses included in the expense section on the statement of activities	$ 93,480	$ 52,524	$ 2,696	$ 148,700

Kayenta Arts Foundation
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Expenses	Management and General	Fundraising Expenses	Total
Advertising and marketing	$ 14,591	$ 3,160	$ -	$ 17,751
Artists and presenters	9,713	-	-	9,713
Contract labor	8,070	16,859	-	24,929
Depreciation	703	-	-	703
Miscellaneous fees	922	3,382	1,358	5,662
Miscellaneous theatre expense	21,469	-	-	21,469
Other operating costs	4,378	-	-	4,378
Professional fees	-	8,757	24,500	33,257
Rent expense	35,322	3,119	-	38,441
Supplies	2,330	1,785	-	4,115
Total expenses by function	97,498	37,062	25,858	160,418
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	(35,124)	-	-	(35,124)
Total expenses included in the expense section on the statement of activities	$ 62,374	$ 37,062	$ 25,858	$ 125,294

	2017	2016
Operating Activities		
Change in net assets	$ 392,033	$ 580,341
Adjustments to reconcile change in net assets to net cash from operating activities		
In-kind contribution of common stock	-	(5,025)
Depreciation	45,318	703
Changes in operating assets and liabilities		
Accounts receivable, net	2,022	(3,622)
Prepaid expenses	(2,500)	-
Accounts payable	169,356	-
Accrued expenses	5,197	1,721
Net Cash from Operating Activities	611,426	574,118
Investing Activities		
Purchases of property and equipment	(657,823)	(873,025)
Proceeds from sale of common stock	-	5,025
Net Cash used for Investing Activities	(657,823)	(868,000)
Net Change in Cash	(46,397)	(293,882)
Cash, Beginning of Year	192,413	486,295
Cash, End of Year	$ 146,016	$ 192,413

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Kayenta Arts Foundation (the Foundation) is a private nonprofit incorporated in the state of Utah and began operations on February 10, 2011. The Foundation was organized to be the premier venue in the greater southern Utah area for awareness, education, and enjoyment of diverse artistic endeavors. Funding is provided through contributions from local corporations, individuals, and governmental entities.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for event sales (program income). The Foundation determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2017 and 2016, there was no allowance for uncollectable accounts receivable.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2017 and 2016.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Organization reports contributions as temporarily 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 statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements. At December 31, 2017 and 2016, the Foundation did not have any permanently restricted net assets.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 4).

Advertising Costs

Advertising costs are expensed as incurred, and totaled $37,320 and $17,751 during the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is organized as a nonprofit organization in accordance with the laws of the State of Utah and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), that qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1).

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

Subsequent Events

Subsequent events have been evaluated through September 6, 2018, the date the financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consists of the following at December 31, 2017:

	2017	2016
Buildings and improvements	$ 1,540,489	$ -
Equipment	175,751	-
Furniture and fixtures	243,306	4,924
Construction in Progress	-	1,296,799
	1,959,546	1,301,723
Less accumulated depreciation and amortization	(48,411)	(3,093)
	$ 1,911,135	$ 1,298,630

Note 3 - Accounts Payable

Accounts payable consists of the following at December 31, 2017 and 2016:

	2017	2016
Accounts payable - Terry Marten	$ 143,690	$ -
Accounts payable - other	27,387	1,721
	$ 171,077	$ 1,721

Note 4 - Restricted Net Assets

Net assets were released from restrictions as follows during the years ended December 31, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Building fund	$ 317,831	$ 598,686
Street Painting Festival	24,131	18,500
	$ 341,962	$ 617,186

Note 5 - Donated Professional Services and Materials

Donated professional services and materials received during the years ended December 31, 2017 and 2016 are as follows:

	Program Services	Management and General	Fundraising and Development	Total
December 31, 2017				
Products	$ 29,386	$ 22,168	$ -	$ 51,554
Services	2,784	5,651	-	8,435
	$ 32,170	$ 27,819	$ -	$ 59,989

	Program Services	Management and General	Fundraising and Development	Total
December 31, 2016				
Facility	$ 24,178	$ 2,102	$ -	$ 26,280
Products	5,516	4,161	-	9,677
Services	-	910	2,590	3,500
	$ 29,694	$ 7,173	$ 2,590	$ 39,457

Note 6 - Related Party Transactions

During the years ended December 31, 2017 and 2016, the Foundation paid for interior design services totaling $0 and $8,354, respectively, from a company owned by a member of the Board of Directors.

Note 7 - Contingent Liability

In February 2014, the Foundation entered into an agreement with Terry Marten to develop and build the Kayenta Center for the Arts (the Center). In this agreement, Terry Marten was responsible for overseeing the construction of the building. The Foundation was obligated to pay for certain tenant improvements and other costs necessary to its use and occupancy of the Center, including landscaping expenses, audio and visual equipment, computer system, theatre seating, lobby and box office, and other final improvements.

In connection with this agreement, the Foundation leases office space under an operating lease expiring five years from the date of the opening night of the first public performance, which was held on June 14, 2017. Under the operating lease, the Foundation will pay $10 per year and five percent of all ticket sales for KAF-funded and MOTW-produced events in the Arts Center or the Kayenta Outdoor Theatre; and five percent of all rental fees collected for use of the Center by users other than KAF. During the year ended December 31, 2017, the Foundation paid $3,497 in rental costs and recorded $0 in donated facilities. During the year ended December 31, 2016, the Foundation paid $0 in rental costs and recorded $26,280 in donated facilities.

Five years from the date of opening night of the first public performance, the Center will be transferred to the Foundation as long as certain financial and non-financial conditions have been met. Conveyance of the Center and associated land shall be $250,000 less any amount paid by the Foundation on behalf of Terry Marten under the Center. As of December 31, 2017 and 2016, the Foundation has not incurred any costs on behalf of Terry Marten. In addition, impact fees of $79,000 are due to Ivins City in association with the construction of the Center. Ivins City Council has authorized a deferred payment plan for these fees to be paid through 2026, notwithstanding the total outstanding fees must be paid prior to the conveyance of the Center to the Foundation. The Foundation did not pay any impact fees during the years ended December 31, 2017 and 2016.

2018 Multi-Purpose Studio Improvements

Overhead Projector and Powered Roll Down Screen

The studio is pre-wired for the projection system and powered screen. This project would purchase and install the system, complete with drapes on either side of the screen.

Equipment Cost:
Draper Silhouette/Series E, 113", 16:10, Matt White XT1000E, 110 V, with Quiet Motor & Low Voltage Controller w/Plug & Play option - $1,500
EIKI EK-510U LCD Projector - $5,200
2 Yamaha DSR115 15" Powered Speaker, Bi-Amped - $2,000
Accessory Package - $500
2 Side Curtains - $260

Installation Cost: 8 hours @ $200/hour - $1,600

Total Cost - $11,060

Acoustical Panels

Sound attenuation is necessary for the studio to be considered as performance space. This project would purchase and install multi-colored paneling on the walls of the studio

Material Cost:

20 1x4x1" AlphaSorb® Acoustic Panels - $,1250

Installation Cost: 20 hours @ $50 = $1,000

Total Cost - $$1,550

Frameless wall mirror system for dance and performances

This project includes a system of mirrors and covering drapes along one wall of the studio.

Material Cost:

9 4x8 Mirror Panels - $3,600

Installation Cost: 12 hours @ $50 = $600

Total Cost - $4,200

High performance laminate wood flooring is required for dance performances.

This project would purchase and install a removable locking panel system throughout the studio floor.

Material Cost:

Snaplock portable dance floor (24'x36') - $6,000
Installation Cost: $9.00/sf - $7,776

Total cost = $13,776

Lighting Grid and Associated DMX board

This project would provide necessary lighting for studio performances as well as specialized events where appropriate lighting is required.

Material Cost:

2 - Levton Par 56 Lighting System With 3008 Console - $1,400
Leviton Piccolo 12/48 Channel Console - $3000

Installation Cost: 40 hours @$200 - $8,000

Total Cost + $12,400

Modify exterior door threshold

The exterior door was installed to meet ADA requirements. However the stairway immediately inside does not meet ADA requirements and there is alternative access available. This project modifies the door and threshold to prevent weather related damage.

Material Cost:

Heavy Duty 36" Metal Exterior Door - $750
Hardware and Paint - $400

Installation Cost: 4 hours @ $50 - $200

Total Cost = $1,350

Sound proof doors between the studio and theater

This project will allow performances in both areas simultaneously. This project modifies the door systems in both areas to eliminate sound intrusion.

Material Cost:
8 Quiet Door™ Automatic Door Sweep - $880
8 Neoprene Door Gasket Kits - $720

Installation Cost: 16 hours a@ $50 = $800

Total Cost - $2,400

Storage Area Improvements

Additional storage space is required to maintain the Center's growing inventory of props and equipment. This project will construct a second floor in the storgae area and add metal shelving.

Material Cost:
Complete lumber package for second floor - $1,800
8 4x6 shelving units - $600

Installation Cost:28 hours a@ $50 = $1,400

Total Cost - $3,800

TUACAHN
AMPHITHEATRE



November 4, 2018

Ivins City Council
55 North Main
Ivins, UT 84738

Dear Ivins City Council,

Every year, Tuacahn Center for the Arts hosts a magical event, *Christmas in the Canyon* featuring holiday lights and music on the Tuacahn Plaza, a visit with Santa Claus, a holiday train ride on the Old Salty Train, an open fire, etc. This annual family oriented tradition has something for everyone.

In 2017 Tuacahn added a synthetic ice skating rink beautifully situated at the base of Tuacahn's towering red canyon. This new state-of-the-art product looks and feels just like real ice and provides a great opportunity for our local community.

Originally called *Festival of Lights*, it began with a $10,000 grant from Ivins City over 15 year ago. **Now *Christmas in the Canyon* attracts over 30,000 patrons each year.** It has become a wonderful community event that the whole family can enjoy.

Tuacahn Center for the Arts is requesting $10,000 in RAP Tax funding to enhance *Christmas in the Canyon* to attract additional patrons.

We appreciate the support that Ivins City has provided for Tuacahn. We look forward to continuing our commitment to world class family entertainment as we strive to match the majesty of the Canyon in picturesque Ivins City.

Sincerely,

Steven W. Bringhurst

Steven W. Bringhurst
Development Manager
Tuacahn Center for the Arts

RESOLUTION NO. 2015-03R
A RESOLUTION OF IVINS CITY, UTAH, ESTABLISHING THE FORMULA & PROCESS FOR DISTRIBUTING "RAP" TAX REVENUE RECEIVED BY IVINS CITY

4. Application Process. For all RAP tax revenue not distributed by agreement, any person or organization, including the City, requesting funds from RAP tax revenues must complete a Fund Request in December of each calendar year that the RAP tax revenues exist. Each such Fund Request must set forth a description of the project for which RAP tax funds are requested for that calendar year and the amount of RAP tax funds requested for that year in order to assist the City Council in deciding which projects have the highest priority and should be funded. For persons or organizations other than Ivins City, each Fund Request should also contain:

a. Applicant's name, mailing & physical address, phone number, fax number and email address.

Tuacahn Center for the Arts
1100 Tuacahn Dr.
Ivins, UT 84738
(435) 652-3305
(435) 652-3227 FAX
sbringhurst@tuacahn.org

b. Proof of applicant's non-profit status.

Tuacahn Center for the Arts is a non-profit 501(c)(3) organization –
Federal Tax ID #87-0487695

c. An attachment showing applicant's other sources of funding for the project for which RAP tax revenue is requested.

Tuacahn currently funds the balance of Christmas in the Canyon expenses through ticket sales from our Amphitheatre productions and concerts.

d. A statement of how long applicant has been in existence and a financial statement for applicant's prior year of operation.

Tuacahn's 501(c)(3) was created in 1992. Our 2017 audited financials are attached.

e. Proposed qualifying expenses to be paid with RAP tax funds.

New and additional energy saving LED holiday lighting ($3,500)
Provide funds for improved oversight of participating school and local performing groups ($500)
Replace and upgrade holiday décor ($1,000)
Synthetic ice rink maintenance ($500)
Enhanced video mapping for projection and graphics on buildings, structures, etc. ($3,500)
Other enhancements to guest experience $1,000)

f. Detailed cost estimates for the proposed project.

See above.

g. If applicant has received RAP tax funds within the past three (3) years, an accounting showing how the prior RAP funds were spent.

Tuacahn currently receives $10,000 in Ivins City RAP funding annually. That allocation is earmarked for payments on a 2015 municipal bond to which Ivins City is a party to.

h. Any other information that is reasonably related to determining how RAP tax funds would be spent by the applicant.

TUACAHN CENTER FOR THE ARTS
(NONPROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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HAFEN | BUCKNER

Certified Public Accountants
www.hbeg.com

90 E 200 N
St. George, UT 84770

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tuacahn Center for the Arts
St. George, Utah

We have audited the accompanying financial statements of Tuacahn Center for the Arts (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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.

Auditor's 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 auditor's 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 Tuacahn Center for the Arts as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
March 1, 2018

Tuacahn Center for the Arts

Statement of Financial Position

December 31, 2017

ASSETS		
Current Assets:		
Cash	$	24,745
Inventory		136,469
Receivables		127,866
Prepaid Expenses		196,401
Total Current Assets		485,481
Fixed Assets:		
Construction-In-Progress		18,850
Land		655,865
Depreciable Assets		31,769,753
Less: Accumulated Depreciation		(11,543,915)
Total Fixed Assets		20,900,553
Other Assets:		
Restricted Cash		2,001
Notes Receivable		150,000
Copyrights		275,001
Bond Issue Costs		170,658
Less: Accumulated Amortization		(292,067)
Total Other Assets		305,593
TOTAL ASSETS	$	21,691,627
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts Payable	$	444,472
Accrued Liabilities		93,132
Accrued Interest		22,472
Current Portion of Long-Term Liabilities		488,753
Line of Credit		232,030
Deferred Revenue		2,087,141
Gift Certificates Outstanding		162,684
Total Current Liabilities		3,530,684
Non-Current Liabilities:		
Long-Term Liabilities		6,621,779
Total Non-Current Liabilities		6,621,779
Total Liabilities		10,152,463
Net Assets:		
Unrestricted		11,493,439
Temporarily Restricted		45,725
Total Net Assets		11,539,164
TOTAL LIABILITIES & NET ASSETS	$	21,691,627

The Accompanying Notes Are An Integral Part Of These Financial Statements

Tuacahn Center for the Arts

Statement of Activities

For The Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Totals
REVENUES			
Donations	$ 307,529	$ 65,200	372,729
Donations in-kind	87,036	-	87,036
Grants	83,800	444,147	527,947
Productions	9,043,674	-	9,043,674
Concerts & Events	1,846,700	-	1,846,700
Show Care	46,974	-	46,974
Gift Shop	642,802	-	642,802
Concessions	253,221	-	253,221
Rental	266,872	-	266,872
Bond Revenue	375,000	-	375,000
Other	728,962	-	728,962
Net Assets Released from Satisfaction of Restrictions	639,556	(639,556)	-
Interest Income	1,166	-	1,166
Total Revenues	14,323,292	(130,209)	14,193,083
FUNCTIONAL EXPENSES:			
Program Services			
Tuacahn Center for the Arts	12,542,179	-	12,542,179
Tuacahn High School	533,026	-	533,026
Administrative	811,981	-	811,981
Total Functional Expenses	13,887,186	-	13,887,186
Change in net assets	436,106	(130,209)	305,897
Net assets, beginning of year	11,057,333	175,934	11,233,267
NET ASSETS, END OF YEAR	$ 11,493,439	$ 45,725	$ 11,539,164

The Accompanying Notes Are An Integral Part Of These Financial Statements

Tuacahn Center for the Arts

Statement of Cash Flows

For The Year Ended December 31, 2017

Operating Activities:	
Cash Donations Received from Public	$ 372,729
Cash Grants Received	552,947
Cash Received from Productions, Concerts & Show Care	11,474,827
Cash Received from Gift Shop and Concessions	896,023
Cash Received from Other Sources	1,279,090
Interest Income	1,166
Cash Paid for Costs of Revenues	(8,063,914)
Cash paid for Salaries and Related Costs	(1,936,845)
Cash Paid for Operating Expenses	(2,575,976)
Net Cash Provided from Operations	2,000,047
Investing Activities:	
Purchase of Property, Plant and Equipment	(1,796,654)
Net Cash Provided from Investing Activities	(1,796,654)
Financing Activities:	
Proceeds from Long-Term Debt	468,358
Proceeds from Line of Credit	6,509,915
Payments on Debt	(7,335,799)
Net Cash Provided from Financing Activities	(357,526)
Increase/(Decrease) in Cash	(154,133)
Cash at Beginning of Period	180,879
Cash at End of Period	$ 26,746

The Accompanying Notes Are An Integral Part Of The Financial Statements

Tuacahn Center for the Arts

Statement of Cash Flows (Continued)
For The Year Ended December 31, 2017

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	$	305,897
Adjustments to Reconcile Net Change in Net Assets to Net Cash Provided by Operating Activities:		
Donations In-Kind, net		(87,036)
Other Non-Cash Items		129,784
Depreciation & Amortization		1,365,235
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Inventory		11,115
Decrease (Increase) in Receivables		(91,744)
Decrease (Increase) in Prepaid Expenses		(41,452)
Decrease (Increase) in Notes Receivables		25,000
Increase (Decrease) in Accounts Payable		(99,714)
Increase (Decrease) in Accrued Liabilities		(60,048)
Increase (Decrease) in Accrued Interest		5,531
Increase (Decrease) in Deferred Revenue		551,461
Increase (Decrease) in Gift Cards		(13,982)
Net Cash Provided by Operating Activities	$	2,000,047

The Accompanying Notes Are An Integral Part Of The Financial Statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Background

Tuacahn Center for the Arts (The Center) is incorporated under the laws of the state of Utah as a nonprofit organization and was first registered in 1991. Tuacahn Center for the Arts is located in Washington County, Utah. The financial statements exclude the books and records of Tuacahn High School, which is required to be independently audited per Utah state requirements.

B. General

The accompanying financial statements of The Center have been prepared in accordance with generally accepted accounting principles which require the use of management estimates and the accrual basis of accounting.

C. Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, presentation of Financial Statements. Under FASB ASC 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are those whose use by the Center can be for any purpose to support the Center. Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period, purpose, or both. Although temporarily restricted net assets are typically reported as support that increases restricted net assets, they are reported as unrestricted net assets if the restrictions are met in the same reporting period. Permanently restricted net assets have been restricted by donors to be maintained by the Center in perpetuity. The Center does not have any permanently restricted contributions at this time.

D. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

E. Description of Programs

Tuacahn Center for the Arts

Tuacahn Center for the Arts is a professional non-profit organization which edifies and inspires the human spirit through professional world class family entertainment and an unparalleled artistic and academic experience which matches the majesty of our canyon. The Center maintains and manages an amphitheater that is used for productions, concerts, and events.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuacahn High School for the Performing Arts

The Center has a facility agreement with Tuacahn High School for the Performing Arts (The High School) for rent and cost reimbursement. The mission of The High School is to be an innovative and nationally recognized performing arts high school by implementing the principles of collaborative design, candid feedback, and original work. The High School provides a dynamic environment where all students are given the tools and opportunities to succeed and excel in academics and the arts.

G. Income Taxes

No provision has been made for Federal income taxes because The Center is exempt from Federal income tax as an organization that was organized under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2017. In accordance with tax statute, the Center's tax returns remain subject to examination for all tax years ended on or after December 31, 2013 with regard to all tax positions and results of operations.

H. Inventory

Inventories consist of goods held for sale and are stated at the lower of cost or market. Cost is determined on the first-in first-out basis.

I. Production Revenue and Cost Recognition

Receipts from the advance sale of tickets are recorded as deferred revenue and costs incurred relative to future performances are recorded as prepaid expenses. The revenue and related expenses are recognized in the period in which performances take place. At December 31, 2017 the Center has deferred revenue for future performances of $2,087,141 and prepaid costs of future performances of $196,401. Marketing (advertising) costs of $1,058,297 were recognized for the year ending December 31, 2017.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments. On December 31, 2017, the Center had cash on hand of $4,000. All of the Center's bank balance was insured by FDIC insurance.

Restricted cash consists of amounts held in escrow per the bond agreement.

NOTE 3: FIXED ASSETS

Expenditures for fixed assets are carried at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation of fixed assets is calculated on the straight line basis over the asset's useful life.

Fixed assets as of December 31, 2017 consisted of the following:

Description	12/31/2016	Additions	Retirements	Transfers	12/31/2017
Depreciable Assets:					
Buildings/Structures	$19,980,852	$ 152,198	$ (29,521)	$5,035,843	$25,139,371
IT Equipment & Software	636,743	71,738	(67,738)	-	640,743
Costumes	535,936	194,867	-	-	730,803
Furniture & Fixtures	254,965	38,365	(4,749)	294,092	582,673
Machinery & Equipment	637,689	41,544	(18,130)	115,292	776,395
Office Equipment	59,013	-	(2,937)	-	56,076
Theatrical Production	2,971,949	149,621	(358,919)	873,647	3,636,298
Vehicles	154,186	61,208	(8,000)	-	207,394
Total Depreciable Assets	25,231,332	709,541	(489,994)	6,318,874	31,769,753
Accumulated Depreciation	(10,590,448)	(1,383,771)	430,304	-	(11,543,915)
Net	14,640,884	(674,230)	(59,690)	6,318,874	20,225,838
Construction in Progress	5,250,611	1,087,113	-	(6,318,874)	18,850
Land	655,865	-	-	-	655,865
Total Fixed Assets	$20,547,360	$ 412,883	$ (59,690)	$ -	$ 20,900,553

NOTE 4: RELATED PARTY TRANSACTIONS

The Center pays some of the facility costs of Tuacahn High School a non-profit charter school. The Center and Tuacahn High School are governed by two different Boards that have some overlapping members. Amounts paid to the Center in 2017 consisted of $401,724, and at December 31, 2017 a facility agreement existed at $15,000 per month. The Center and Tuacahn High School file a consolidated tax return.

NOTE 5: LONG TERM LIABILITIES

Long-term liabilities at December 31, 2017 consisted of the following:

2.51% Municipal Bonds issued by Ivins City Payable to Zions Bank, semi-annual interest annual principal payments, with final principal and interest due November 1, 2035, secured by real estate.	$ 5,371,700
3.4% Note payable to Zions Bank, monthly installments of principal and interest of $16,246 with final payment due January 31, 2026, secured by real estate.	1,373,924
4.5% Note payable to Zions Bank, monthly installments of principal and interest of $6,536 with final payment due May 26, 2021, secured by equipment.	254,458
4.8% Note payable to Zions Bank, monthly installments of principal and interest of $1,410.85 with final payment due October 12, 2022, secured by real estate.	72,564
3.74% Note payable to Ally Bank, monthly installments of principal and interest of $399 with final payment due March 31, 2022, secured by a vehicle.	18,773
3.74% Note payable to Ally Bank, monthly installments of principal and interest of $399 with final payment due April 30, 2022, secured by a vehicle.	19,113
Total Long-Term Debt	7,110,532
Less Current Portion	(488,753)
Long-Term Portion	$ 6,621,779

Maturities of long-term liabilities are as follows:

Year	Principal	Interest	Total
2018	$ 488,753	$ 193,444	$ 682,197
2019	496,634	178,038	674,672
2020	512,255	162,244	674,499
2021	481,059	146,366	627,425
2022	453,670	132,315	585,985
Thereafter	4,678,161	801,459	5,479,620
	$ 7,110,532	$ 1,613,866	$ 8,724,398

NOTE 6 – LINE OF CREDIT

On December 22, 2017, the Center replaced its existing $1,500,000 line of credit with a $1,500,000 line of credit with variable interest rate based on the 90 day LIBOR rate, plus margin of 2.75%. The initial rate is 3.75% which will be adjusted every 90 days. The line of credit is renewable annually and is unsecured. The outstanding balance as of December 31, 2017 was $232,515.

NOTE 7 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Center's management has evaluated events and transactions for potential recognition or disclosure through March 1, 2018 the date that the financial statements were issued. Management is not aware of any material events or transactions that have not been recognized or disclosed.

NOTE 8 - PENSION PLANS

The Center sponsors a defined contribution retirement plan under Internal Revenue Code 403(b) that is administered by a private insurance company. The Center's contribution rates in effect during 2017 were as follows: executives receive 13% of their salaries, department heads receive 6% of their salaries and managers receive 3% of their salaries. Employees are able to contribute but are not required to contribute. During 2017, in addition to what the employees paid, the Center paid $67,798.

Tuacahn Center for the Arts

Statement of Functional Expenses

For The Year Ended December 31, 2017

	Program Services			
	Tuacahn Center for the Arts	Tuacahn High School	Administrative	Total Expenses
Cost of Sales:				
Productions	$ 5,668,653	$ -	$ -	$ 5,668,653
Concerts & Events	1,279,506	-	-	1,279,506
Gift Shop	516,757	-	-	516,757
Concessions	77,896	-	-	77,896
Credit Card Charges	303,514	-	-	303,514
Show Care	73,304	-	-	73,304
Other	11,249	-	-	11,249
Total Cost of Sales	7,930,879	-	-	7,930,879
Other:				
Accounting	-	-	63,078	63,078
Advertising	1,058,297	-	-	1,058,297
Auto	26,267	-	6,567	32,834
Fundraising	102,698	-	-	102,698
In-kind and Other Donations	129,784	-	-	129,784
Insurance	64,286	4,286	17,143	85,715
Interest	234,089	17,620	-	251,709
Meals & Entertainment	60,325	1,547	15,468	77,340
Other	20,073	-	5,018	25,091
Outside Services	182,148	45,537	-	227,685
Payroll Taxes & Benefits	320,349	31,510	173,303	525,162
Postage and Shipping	7,078	-	1,770	8,848
Rent	5,955	662	-	6,617
Repairs & Maintenance	35,244	8,697	1,831	45,772
Salaries & Wages	824,497	81,098	446,040	1,351,635
Supplies	39,434	12,323	9,858	61,615
Technical Equipment	72,323	-	-	72,323
Telecommunications	44,753	8,311	10,869	63,933
Travel & Lodging	121,291	-	6,384	127,675
Utilities	142,916	75,693	54,652	273,261
Total Expense Before Depreciation & Amortization	11,422,686	287,284	811,981	12,521,951
Depreciation & Amortization	1,119,493	245,742	-	1,365,235
Total Expenses	$ 12,542,179	$ 533,026	$ 811,981	$ 13,887,186

The Accompanying Notes Are An Integral Part Of These Financial Statements

Ivins City Parks & Recreation
Recreation, Arts and Parks (RAP) Funding Request – 2019
55 North Main, Ivins, UT 84738
435-634-7719

This request is for Arts Rap Tax funds collected in 2018. We have identified a need for Arts funding to install two new entry signs at the major entries to the city selected by the City Council. We are also requesting funding for the lighting for the entry signs. Lighting will be LED, we will be able to control when the light comes on and off as well as control the brightness. This system also allows us to change the color of the light.

Proposed request: $16,000 to build and install the signs and $4,000 to purchase the lighting system for the signs. Installation of the lighting will be done by Parks Staff.

