

Circus Sarasota, Inc.

**Financial Statements
June 30, 2010**

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CAVANAUGH & CO. LLP
Certified Public Accountants

SARASOTA OFFICE
2381 FRUITVILLE ROAD
SARASOTA, FLORIDA 34237
941 366-2983
FAX 941 366-2995

VENICE OFFICE
333 WEST MIAMI AVENUE
VENICE, FLORIDA 34285
941 485-4847
FAX 941 485-3470

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Circus Sarasota, Inc.

We have audited the accompanying statement of financial position of Circus Sarasota, Inc., as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Circus Sarasota, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Circus Sarasota, Inc.'s 2009 financial statements, and in our report dated September 21, 2009, we expressed an unqualified opinion on those financial statements.

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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Circus Sarasota, Inc. as of June 30, 2010, 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.

Cavanaugh & Co. LLP

Sarasota, Florida
September 10, 2010

Circus Sarasota, Inc.

Statement of Financial Position
June 30, 2010

	<u>ASSETS</u>			2009 Total (For Comparative Purposes Only)
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Current assets:				
Cash and cash equivalents	\$ 383,476	35,432	418,908	401,281
Accounts receivable	25,857	-	25,857	21,050
Grants receivable	-	-	-	2,794
Inventory	6,938	-	6,938	-
Unconditional promises to give, net	-	27,495	27,495	3,650
Prepaid expenses	24,281	-	24,281	11,317
Total current assets	<u>440,552</u>	<u>62,927</u>	<u>503,479</u>	<u>440,092</u>
Property and equipment, net	<u>619,035</u>	<u>-</u>	<u>619,035</u>	<u>639,631</u>
Total assets	<u>\$ 1,059,587</u>	<u>62,927</u>	<u>1,122,514</u>	<u>1,079,723</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Note payable - current portion	\$ 34,138	-	34,138	31,499
Accounts payable	6,196	-	6,196	16,331
Accrued expenses	31,097	-	31,097	30,092
Deferred revenue	-	8,333	8,333	-
Total current liabilities	<u>71,431</u>	<u>8,333</u>	<u>79,764</u>	<u>77,922</u>
Long-term debt:				
Note payable, net of current portion	<u>113,045</u>	<u>-</u>	<u>113,045</u>	<u>199,318</u>
Total liabilities	<u>184,476</u>	<u>8,333</u>	<u>192,809</u>	<u>277,240</u>
Net assets	<u>875,111</u>	<u>54,594</u>	<u>929,705</u>	<u>802,483</u>
Total liabilities and net assets	<u>\$ 1,059,587</u>	<u>62,927</u>	<u>1,122,514</u>	<u>1,079,723</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010

	2010			2009 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Total	
Revenues and support:				
Revenues:				
Performing	\$ 1,010,322	-	1,010,322	1,010,587
Concessions	143,182	-	143,182	157,646
Interest	3,543	-	3,543	9,887
Rental	138,590	-	138,590	114,994
Other	46,593	-	46,593	30,629
Total revenues	1,342,230	-	1,342,230	1,323,743
Support:				
Contributions	228,836	66,112	294,948	266,566
Grants	-	81,568	81,568	(24,000)
Donated goods and services	284,097	-	284,097	255,663
Total support	512,933	147,680	660,613	498,229
Net assets released from restrictions:				
Satisfaction of program restrictions	144,615	(144,615)	-	-
Total revenues and support	1,999,778	3,065	2,002,843	1,821,972
Expenses:				
Program services	1,191,294	-	1,191,294	1,568,334
General and administrative	566,821	-	566,821	221,307
Fund raising	133,613	-	133,613	133,337
Total expenses	1,891,728	-	1,891,728	1,922,978
Change in net assets	108,050	3,065	111,115	(101,006)
Net assets - beginning of year as previously stated	750,954	51,529	802,483	903,489
Prior period adjustment	16,107	-	16,107	-
Net assets - beginning of year as restated	767,061	51,529	818,590	903,489
Net assets - end of year	\$ 875,111	54,594	929,705	802,483

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Functional Expenses

Year Ended June 30, 2010

	2010			Total	2009 Total (For Comparative Purposes Only)
	Program Services	General and Administrative	Fund Raising		
Expenses:					
Advertising and marketing	\$ 356,383	-	-	356,383	335,733
Audio-visual	-	-	-	-	5,500
Automotive	30,221	12,952	-	43,173	13,632
Bad debt	-	53,055	-	53,055	-
Bank charges	29,044	4,015	-	33,059	29,396
Commissions-sales	24,200	-	-	24,200	25,035
Cost of concession sales	121,078	-	-	121,078	97,986
Contract services	53,645	-	2,970	56,615	66,733
Costumes/uniforms/makeup/props	3,613	-	-	3,613	7,858
Depreciation	91,318	22,829	-	114,147	111,357
Development	-	-	48,364	48,364	52,586
Dues and subscriptions	1,817	1,597	-	3,414	9,913
Entertainment and meals	2,118	1,879	-	3,997	5,156
Insurance	50,503	16,835	-	67,338	65,969
Interest	15,447	-	-	15,447	27,677
Legal and accounting	2,822	25,395	-	28,217	20,873
Miscellaneous	3,133	-	2,816	5,949	99
Office	-	13,250	-	13,250	25,176
Payroll	218,148	342,367	68,000	628,515	753,051
Payroll fees	3,484	-	-	3,484	3,076
Payroll taxes	26,801	13,201	-	40,002	32,747
Postage	-	4,261	11,463	15,724	9,386
Rental-tent/lot/equipment/costumes	92,052	39,852	-	131,904	104,982
Repairs & maintenance	15,427	-	-	15,427	6,475
Rigging, equipment and reposition	4,837	-	-	4,837	32,377
Supplies	-	7,893	-	7,893	5,362
Taxes-other	-	560	-	560	6,521
Telephone	6,881	6,880	-	13,761	15,977
Travel and accomodations	38,322	-	-	38,322	39,754
Utilities	-	-	-	-	12,591
Total expenses	<u>\$ 1,191,294</u>	<u>566,821</u>	<u>133,613</u>	<u>1,891,728</u>	<u>1,922,978</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Cash Flows
Year Ended June 30, 2010

	2010			2009 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Total	
Cash flows from operating activities:				
Change in net assets	\$ 124,157	3,065	127,222	(101,006)
Adjustments to reconcile change in net assets to net cash flows from operating activities				
Contribution of donated asset	(52,000)	-	(52,000)	-
Bad debt	53,055	-	53,055	-
Depreciation	114,147	-	114,147	111,357
(Increase) decrease in:				
Accounts receivable	(57,862)	-	(57,862)	(19,333)
Grants receivable	-	2,794	2,794	48,028
Inventory	(6,938)	-	(6,938)	-
Unconditional promises to give	-	(23,845)	(23,845)	9,650
Prepaid expenses	(12,964)	-	(12,964)	2,998
Increase (decrease) in:				
Accounts payable	(10,135)	-	(10,135)	(10,009)
Accrued expenses	1,005	-	1,005	21,276
Deferred revenue	-	8,333	8,333	-
Total adjustments	28,308	(12,718)	15,590	163,967
Net cash flows from operating activities	152,465	(9,653)	142,812	62,961
Cash flows from investing activities:				
Purchase of equipment	(41,551)	-	(41,551)	(58,540)
Net cash flows from investing activities	(41,551)	-	(41,551)	(58,540)
Cash flows from financing activities:				
Principal payments on note payable	(83,634)	-	(83,634)	(269,183)
Net cash flows from financing activities	(83,634)	-	(83,634)	(269,183)
Net increase (decrease) in cash and cash equivalents	27,280	(9,653)	17,627	(264,762)
Cash and cash equivalents - beginning of year	356,196	45,085	401,281	666,043
Cash and cash equivalents - end of year	\$ 383,476	35,432	418,908	401,281
Supplementary information:				
Interest paid	\$ 15,447	-	15,447	27,677

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Notes to Financial Statements

June 30, 2010

Note 1 – Nature of Activities and Summary of Significant Accounting Policies:

Nature of Activities

The National Circus School of Performing Arts, Inc. was incorporated as a not-for-profit organization under the laws of the State of Florida on September 27, 1997. The Organization changed its name to Circus Sarasota, Inc. ("the Organization") in 1999.

The Organization's mission as Florida's only not-for-profit resident circus is to pay homage to an extraordinary community legacy by broadening the artistic contribution of the circus through education and human services outreach; Circus Sarasota, Inc. fulfills this mission by enriching, educating and entertaining audiences of all ages. The Organization's purpose is to:

1. Improve the quality of life for individuals in institutionalized settings.
2. Engage and encourage students through education.
3. Present quality circus performances at an affordable family price.

THE CIRCUS: (Circus Sarasota)

The one ring European style circus presents world-renowned artists from around the globe. Potential tourists and those visiting Sarasota will have the opportunity to witness affordable family entertainment synonymous with Sarasota, circus capital of the world.

EDUCATION: (Circus Sarasota School of Performing Arts)

Our goal is to have a permanent professional circus school based in Sarasota with a progressive educational program to keep the circus arts alive. Our aim will be to educate and encourage students to achieve professionalism and excellence in the circus arts while embracing all performing arts.

SPECIAL EDUCATION:

This program is specifically designed to give "second chance students" and "students at risk" a chance of using the Circus as a possible means for a positive, productive future. This program also engages individuals that are mentally and physically challenged.

HUMAN SERVICE: (Laughter Unlimited)

This is a professional clown group that visits hospitals, nursing homes and other institutions bringing smiles and laughter to "children of all ages". These clowns will teach and produce other clowns to spread joy and laughter.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards *Financial Statements of Not-for-Profit Organizations (FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Circus Sarasota, Inc.

Notes to Financial Statements – Continued

June 30, 2010

Note 1 – Nature of Activities and Summary of Significant Accounting Policies – Continued:

Financial Statement Presentation – Continued

A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

The Organization records receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made.

Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of merchandise for sale at performances.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Circus Sarasota, Inc.

Notes to Financial Statements – Continued

June 30, 2010

Note 1 – Nature of Activities and Summary of Significant Accounting Policies – Continued:

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Deferred Revenue

Funds received in advance of providing required services from grantors or other sources are deferred until the service has been provided.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has evaluated the effect of a new accounting standard relating to accounting for uncertainty in income taxes that became effective in 2009. Management has determined that the Organization had no uncertain income tax positions that could have a significant effect on the consolidated financial statements for the year ended June 30, 2010. The Organization's federal income tax returns for 2008, 2007 and 2006 are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statement of activities and changes in net assets as net assets released from restrictions.

Circus Sarasota, Inc.

Notes to Financial Statements - Continued

June 30, 2010

Note 1 – Nature of Activities and Summary of Significant Accounting Policies – Continued:

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services meeting these criteria are recognized as contributions by the Organization.

Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Note 2 – Unconditional Promises to Give:

As of June 30, 2010, the Organization has recognized unconditional promises to give totaling \$27,495. These amounts are net of an allowance for uncollectible promises of \$3,055 at June 30, 2010.

Unconditional promises to give at June 30, 2010, are due as follows:

<u>For Year Ending June 30,</u>	
2011	\$ 6,950
2012	6,950
2013	6,950
2014	6,950
2015	<u>2,750</u>
Total pledges receivable	<u>30,550</u>
Less: Allowance for uncollectible promises	<u>(3,055)</u>
Net pledges receivable	<u>\$ 27,495</u>

Circus Sarasota, Inc.

Notes to Financial Statements – Continued

June 30, 2010

Note 3 – Property and Equipment:

Property and equipment is depreciated over the estimated useful lives of the assets, ranging from five (5) to ten (10) years, using the straight-line method and consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Automotive	\$ 74,613	55,947	18,666
Equipment	190,937	111,121	79,816
Tent	757,604	237,051	520,553
Furniture & fixtures	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total	<u>\$1,024,354</u>	<u>405,319</u>	<u>619,035</u>

Note 4 – Related Party Transactions:

During the year, the co-founders of the Organization donated mobile concession equipment (“the equipment”) to the Organization. The Organization recorded the equipment at a cost of \$52,000 and recognized an unrestricted contribution of \$52,000. The equipment’s fair market value was determined by an independent appraiser. The transaction was approved by the Board of Directors of the Organization.

During the year, Organization purchased a used truck equipped with a diesel engine from the Chief Executive Officer. The Organization paid \$20,000 for the truck using a valuation provided by Kelly Blue Book for a private party transaction. The transaction was approved by the Board of Directors of the Organization.

Note 5 – Donated Goods and Services:

The Organization received donated goods and services in connection with its operations. The fair market value of these items is recorded as follows:

Advertising	\$ 217,272
Legal and accounting	7,230
Space rental	5,950
Performance	<u>53,645</u>
Total	<u>\$ 284,097</u>

An equal amount of contribution revenue was recorded for the fair value of contributed and donated goods and services. These donated goods and services are reflected on both the Statement of Activities and Statement of Functional Expenses in the appropriate income and expense categories.

Circus Sarasota, Inc.

Notes to Financial Statements – Continued

June 30, 2010

Note 6 – Uninsured Cash Balances:

The Organization maintains its cash balances at financial institutions located in Sarasota, Florida. The accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer as of June 30, 2010. There were no deposits in excess of FDIC insurance limits on June 30, 2010.

Note 7 – Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Laughter Unlimited	\$ 54,594
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Note 8 – Note Payable:

Effective June 11, 2008, the Organization obtained a loan from a local bank for the purchase of a circus tent and related equipment. Interest accrues on the unpaid principal balance at the rate of 8.07% annually. Effective May 13, 2009, the loan was modified and is payable in equal monthly installments of principal and interest of \$4,082. The note matures on July 13, 2015, and is collateralized with the tent and equipment. The principal balance of the note payable is \$147,183 as of June 30, 2010.

The future principal maturities of long-term debt are as follows:

Year ending June 30, 2011	\$ 34,138
Year ending June 30, 2012	36,975
Year ending June 30, 2013	40,094
Year ending June 30, 2014	<u>35,976</u>
Total	<u>\$147,183</u>

Note 9 – Subsequent Events:

Subsequent events have been evaluated through September 10, 2010, which is the date the financial statements were available to be issued.