

Circus Sarasota, Inc.

**Financial Statements
June 30, 2009**

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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, 2009, 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 2008 financial statements, and in our report dated November 10, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2009, 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 21, 2009

Circus Sarasota, Inc.
Sarasota, Florida

Statement of Financial Position
June 30, 2009

	<u>ASSETS</u>			2008 Total (For Comparative Purposes Only)
	<u>Unrestricted</u>	2009 <u>Temporarily Restricted</u>	<u>Total</u>	
Current assets:				
Cash and cash equivalents	\$ 356,196	45,085	401,281	666,043
Accounts receivable	21,050	-	21,050	1,717
Grants receivable	-	2,794	2,794	50,822
Pledges receivable	-	3,650	3,650	13,300
Prepaid expenses	<u>11,317</u>	<u>-</u>	<u>11,317</u>	<u>14,315</u>
Total current assets	388,563	51,529	440,092	746,197
Property and equipment, (at cost), net of accumulated depreciation of \$291,171	<u>639,631</u>	<u>-</u>	<u>639,631</u>	<u>692,448</u>
 Total assets	 <u>\$ 1,028,194</u>	 <u>51,529</u>	 <u>1,079,723</u>	 <u>1,438,645</u>
 <u>LIABILITIES AND NET ASSETS</u> 				
Current liabilities:				
Note payable - current portion	\$ 31,499	-	31,499	19,594
Accounts payable	16,331	-	16,331	26,340
Accrued expenses	<u>30,092</u>	<u>-</u>	<u>30,092</u>	<u>8,816</u>
Total current liabilities	77,922	-	77,922	54,750
Long-term debt:				
Note payable, net of current portion	<u>199,318</u>	<u>-</u>	<u>199,318</u>	<u>480,406</u>
Total liabilities	277,240	-	277,240	535,156
Net assets	<u>750,954</u>	<u>51,529</u>	<u>802,483</u>	<u>903,489</u>
 Total liabilities and net assets	 <u>\$ 1,028,194</u>	 <u>51,529</u>	 <u>1,079,723</u>	 <u>1,438,645</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.
Sarasota, Florida

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2009

	2009			2008
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total (For Comparative Purposes Only)</u>
Revenues and support:				
Revenues:				
Performing	\$ 1,010,587	-	1,010,587	1,101,305
Concessions	157,646	-	157,646	136,550
Interest	9,887	-	9,887	12,445
Rental	114,994	-	114,994	34,750
Other	<u>30,629</u>	<u>-</u>	<u>30,629</u>	<u>30,994</u>
Total revenues	<u>1,323,743</u>	<u>-</u>	<u>1,323,743</u>	<u>1,316,044</u>
Support:				
Contributions	170,762	95,804	266,566	384,345
Capital campaign	-	-	-	260,300
Grants returned	(24,000)	-	(24,000)	-
Donated goods and services	<u>255,663</u>	<u>-</u>	<u>255,663</u>	<u>170,176</u>
Total support	<u>402,425</u>	<u>95,804</u>	<u>498,229</u>	<u>814,821</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>381,270</u>	<u>(381,270)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>2,107,438</u>	<u>(285,466)</u>	<u>1,821,972</u>	<u>2,130,865</u>
 Expenses:				
Program services	1,568,334	-	1,568,334	1,338,385
General and administrative	221,307	-	221,307	439,046
Fund raising	<u>133,337</u>	<u>-</u>	<u>133,337</u>	<u>88,112</u>
Total expenses	<u>1,922,978</u>	<u>-</u>	<u>1,922,978</u>	<u>1,865,543</u>
 Change in net assets	184,460	(285,466)	(101,006)	265,322
 Net assets - beginning of year	<u>566,494</u>	<u>336,995</u>	<u>903,489</u>	<u>638,167</u>
 Net assets - end of year	<u>\$ 750,954</u>	<u>51,529</u>	<u>802,483</u>	<u>903,489</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.
Sarasota, Florida

Statement of Functional Expenses
Year Ended June 30, 2009

	2009			Total	2008 Total (For Comparative Purposes Only)
	Program Services	General and Administrative	Fund Raising		
Expenses:					
Advertising and marketing	\$ 335,733	-	-	335,733	322,402
Audio-visual	4,015	1,485	-	5,500	1,250
Automotive	9,542	4,090	-	13,632	14,324
Bank charges	25,826	3,570	-	29,396	27,420
Commissions-sales	25,035	-	-	25,035	42,922
Cost of concession sales	97,986	-	-	97,986	84,470
Contract services	62,216	-	4,517	66,733	90,288
Costumes/uniforms/makeup/props	7,858	-	-	7,858	5,626
Depreciation & amortization	89,086	22,271	-	111,357	85,011
Development	-	-	52,586	52,586	48,211
Dues and subscriptions	5,277	4,636	-	9,913	6,026
Entertainment and meals	2,733	2,423	-	5,156	4,153
Insurance	49,477	16,492	-	65,969	38,437
Interest	27,677	-	-	27,677	2,683
Loan costs	-	-	-	-	5,780
Legal and accounting	2,087	18,786	-	20,873	17,478
Miscellaneous	-	99	-	99	808
Office	-	25,176	-	25,176	31,320
Payroll	602,882	78,469	71,700	753,051	695,264
Payroll fees	3,076	-	-	3,076	2,657
Payroll taxes	21,940	10,807	-	32,747	32,118
Postage	925	3,927	4,534	9,386	11,198
Rental-tent/lot/equipment/costumes	98,893	6,089	-	104,982	135,076
Repairs & maintenance	6,475	-	-	6,475	33,400
Rigging, equipment and reposition	32,377	-	-	32,377	31,717
Supplies	-	5,362	-	5,362	10,945
Taxes-other	171	6,350	-	6,521	10,624
Telephone	7,989	7,989	-	15,977	14,881
Travel and accomodations	39,754	-	-	39,754	51,225
Utilities	9,305	3,286	-	12,591	7,829
Total expenses	\$ 1,568,334	221,307	133,337	1,922,978	1,865,543

See accompanying notes to financial statements.

Circus Sarasota, Inc.
Sarasota, Florida

Statement of Cash Flows
Year Ended June 30, 2009

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Change in net assets	\$ 184,460	(285,466)	(101,006)	265,322
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:				
Depreciation	111,357	-	111,357	85,011
(Increase) decrease in:				
Prepaid expenses	2,998	-	2,998	(2,428)
Accounts receivable	(19,333)	-	(19,333)	983
Pledges receivable	-	9,650	9,650	(13,300)
Grants receivable	-	48,028	48,028	(45,822)
Increase (decrease) in:				
Accounts payable	(10,009)	-	(10,009)	13,019
Accrued expenses	21,276	-	21,276	(231)
Total adjustments	106,289	57,678	163,967	37,232
Net cash provided (used) by operating activities	290,749	(227,788)	62,961	302,554
Cash flows from investing activities:				
Purchase of equipment	(58,540)	-	(58,540)	(201,244)
Net cash used by investing activities	(58,540)	-	(58,540)	(201,244)
Cash flows from financing activities:				
Principal payments on notes payable	(269,183)	-	(269,183)	(12,048)
Net cash used by financing activities	(269,183)	-	(269,183)	(12,048)
Net increase (decrease) in cash and cash equivalents	(36,974)	(227,788)	(264,762)	89,262
Cash and cash equivalents - beginning of year	393,170	272,873	666,043	576,781
Cash and cash equivalents - end of year	\$ 356,196	45,085	401,281	666,043
Supplementary information:				
Interest paid	\$ 27,677	-	27,677	2,683
Non-cash investing financing activity:				
Purchase of equipment with loan payable	\$ -	-	-	500,000

See accompanying notes to financial statements.

Circus Sarasota, Inc.
Sarasota, Florida

Notes to Financial Statements
June 30, 2009

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.

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.

Circus Sarasota, Inc.
Sarasota, Florida

Notes to Financial Statements - Continued
June 30, 2009

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

Promises to Give – Continued

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.

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.

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.

Contributions

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Income tax is paid on unrelated business taxable income (UBTI).

Donated Goods and 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 goods are recorded at their fair market values.

Circus Sarasota, Inc.
Sarasota, Florida

Notes to Financial Statements - Continued
June 30, 2009

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

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.

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, 2008, from which the summarized information was derived.

Note 2 - 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	\$ 54,613	49,690	4,923
Equipment	117,385	96,703	20,682
Tent	757,604	143,578	614,026
Furniture & fixtures	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total	<u>\$930,802</u>	<u>291,171</u>	<u>639,631</u>

Depreciation expense was \$111,357 for the year ended June 30, 2009.

Note 3 - Related Party Transactions:

The co-founders of the Organization own mobile concession equipment used by the Organization and receive 15% of concession sales as the rental fee for the use of the equipment. Rental fees totaled \$24,641 during the year ended June 30, 2009. This arrangement is per a contract approved by the Board of Directors of the Organization.

The Chief Executive Officer receives a bonus equal to 5% of box office receipts based on positive cash flow performance which amounted to \$27,108 during the year ended June 30, 2009. This arrangement is per a contract approved by the Board of Directors of the Organization.

Circus Sarasota, Inc.
Sarasota, Florida

Notes to Financial Statements - Continued
June 30, 2009

Note 4 – 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	\$ 193,447
Performance, contract services	<u>62,216</u>
Total	<u>\$ 255,663</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.

Note 5 – 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, 2009. The Organization had on deposit a total of \$1,840 in excess of FDIC insurance on June 30, 2009.

Note 6 – Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Education	\$ 3,847
Performances	<u>47,682</u>
Total	<u>\$ 51,529</u>

Note 7 – 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 will be payable in equal monthly installments of principal and interest of \$4,082. The note matures on July 13, 2015, and is secured by the tent and equipment. The principal balance of the note payable is \$230,817 as of June 30, 2009.

Circus Sarasota, Inc.
Sarasota, Florida

Notes to Financial Statements - Continued
June 30, 2009

Note 7 – Note Payable – Continued:

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

Year ending June 30, 2010	\$ 31,499
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	43,452
Thereafter	<u>44,659</u>
Total	<u>\$230,817</u>

Note 8 – Income Taxes:

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes (FASB Accounting Standards Codification (ASC) 740, Income Taxes)*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of the uncertain tax position provisions of ASC 740 for the year ending June 30, 2009. The Organization evaluates its uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Note 9 – Subsequent Events:

Subsequent events have been evaluated through September 21, 2009, which is the date the financial statements were available to be issued.