

Circus Sarasota, Inc.

**Financial Statements
June 30, 2012**

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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 2011 financial statements, and in our report dated September 12, 2011, 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, 2012, 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.

Sarasota, Florida
October 24, 2012

Circus Sarasota, Inc.

Statement of Financial Position

June 30, 2012

	<u>ASSETS</u>			2011 Total (For Comparative Purposes Only)
	2012		<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		
Current assets:				
Cash and cash equivalents	\$ 334,571	74,045	408,616	126,637
Accounts receivable	29,410	-	29,410	40,914
Inventory	10,268	-	10,268	4,146
Unconditional promises to give, net	-	10,612	10,612	52,705
Prepaid expenses	<u>88,612</u>	<u>-</u>	<u>88,612</u>	<u>41,913</u>
Total current assets	462,861	84,657	547,518	266,315
Other Assets				
Contribution receivable, use of facilities	-	2,420,783	2,420,783	-
Long-term unconditional promises to give	-	68,561	68,561	-
Property and equipment, net	<u>523,504</u>	<u>-</u>	<u>523,504</u>	<u>531,961</u>
Total other assets	<u>523,504</u>	<u>2,489,344</u>	<u>3,012,848</u>	<u>531,961</u>
Total assets	<u>\$ 986,365</u>	<u>2,574,001</u>	<u>3,560,366</u>	<u>798,276</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable	\$ 76,407	-	76,407	29,451
Accrued expenses	-	-	-	17,270
Deferred revenue	<u>-</u>	<u>42,498</u>	<u>42,498</u>	<u>-</u>
Total current liabilities	76,407	42,498	118,905	46,721
Net assets	<u>909,958</u>	<u>2,531,503</u>	<u>3,441,461</u>	<u>751,555</u>
Total liabilities and net assets	<u>\$ 986,365</u>	<u>2,574,001</u>	<u>3,560,366</u>	<u>798,276</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012

	2012			2011 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Total	
Revenues and support:				
Revenues:				
Performing	\$ 1,262,127	-	1,262,127	731,403
Concessions	175,972	-	175,972	100,245
Education programs	94,536	-	94,536	10,976
Interest	151	-	151	1,721
Rental	84,904	-	84,904	52,840
Other	47,629	-	47,629	40,392
Total revenues	<u>1,665,319</u>	<u>-</u>	<u>1,665,319</u>	<u>937,577</u>
Support:				
Contributions	401,001	2,608,380	3,009,381	315,453
Grants	-	253,389	253,389	126,820
Special events	8,657	-	8,657	-
Donated goods and services	193,379	-	193,379	213,014
Total support	<u>603,037</u>	<u>2,861,769</u>	<u>3,464,806</u>	<u>655,287</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	353,562	(353,562)	-	-
Total revenues and support	<u>2,621,918</u>	<u>2,508,207</u>	<u>5,130,125</u>	<u>1,592,864</u>
Expenses:				
Program services	1,958,809	-	1,958,809	1,373,724
General and administrative	324,984	-	324,984	206,560
Fundraising	156,426	-	156,426	190,730
Total expenses	<u>2,440,219</u>	<u>-</u>	<u>2,440,219</u>	<u>1,771,014</u>
Change in net assets	181,699	2,508,207	2,689,906	(178,150)
Net assets - beginning of year	<u>728,259</u>	<u>23,296</u>	<u>751,555</u>	<u>929,705</u>
Net assets - end of year	<u>\$ 909,958</u>	<u>2,531,503</u>	<u>3,441,461</u>	<u>751,555</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services	General and Administrative	Fundraising	Total	Total (For Comparative Purposes Only)
Advertising	\$ 376,952	-	-	376,952	294,861
Audio-visual	3,019	1,116	-	4,135	1,100
Automotive	21,827	9,354	-	31,181	15,076
Bad debt	-	978	-	978	2,690
Bank charges	32,936	4,554	-	37,490	23,998
Commissions-sales	16,474	-	-	16,474	14,838
Cost of concession sales	104,900	-	-	104,900	77,598
Contract services	42,989	-	20,077	63,066	90,886
Costumes/uniforms/ makeup/props	11,204	-	-	11,204	1,703
Depreciation	95,605	23,901	-	119,506	120,119
Development	25,314	-	25,313	50,627	48,124
Dues and subscriptions	4,947	4,347	-	9,294	4,422
Equipment rental	141,505	-	-	141,505	115,056
Insurance	74,614	24,871	-	99,485	40,972
Interest	-	-	-	-	8,834
Lease expense	74,259	-	-	74,259	-
Legal and accounting	3,167	28,502	-	31,669	24,100
Meals and entertainment	2,704	2,397	-	5,101	1,739
Office	26,348	33,071	-	59,419	31,929
Outside bookings	92,943	-	-	92,943	29,961
Payroll	677,014	124,541	89,878	891,433	673,461
Payroll fees	2,749	-	-	2,749	2,990
Payroll taxes	42,258	20,814	-	63,072	39,767
Postage	-	5,949	-	5,949	22,168
Repairs & maintenance	10,323	-	-	10,323	5,407
Rigging, equipment and reposition	1,499	-	-	1,499	1,877
Supplies	7,988	24,113	21,158	53,259	11,140
Taxes-other	10,095	2,429	-	12,524	9,243
Telephone	14,047	14,047	-	28,094	16,542
Travel	41,129	-	-	41,129	40,413
Total expenses	<u>\$ 1,958,809</u>	<u>324,984</u>	<u>156,426</u>	<u>2,440,219</u>	<u>1,771,014</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Cash Flows
Year Ended June 30, 2012

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Change in net assets	\$ 181,699	2,508,207	2,689,906	(178,150)
Adjustments to reconcile change in net assets to net cash flows from operating activities				
Contribution of long-term use of facilities	-	(2,420,783)	(2,420,783)	-
Bad debt	978	-	978	2,690
Depreciation	119,506	-	119,506	120,119
(Increase) decrease in:				
Accounts receivable	10,526	-	10,526	(17,747)
Due (to) from other fund	29,409	(29,409)	-	-
Inventory	(6,122)	-	(6,122)	2,792
Unconditional promises to give	-	(26,468)	(26,468)	(25,210)
Prepaid expenses	(46,699)	-	(46,699)	(17,632)
Increase (decrease) in:				
Accounts payable	46,956	-	46,956	23,255
Accrued expenses	(17,270)	-	(17,270)	(13,827)
Deferred revenue	-	42,498	42,498	(8,333)
Total adjustments	137,284	(2,434,162)	(2,296,878)	66,107
Net cash flows from operating activities	318,983	74,045	393,028	(112,043)
Cash flows from investing activities:				
Purchase of equipment	(111,049)	-	(111,049)	(33,045)
Net cash flows from investing activities	(111,049)	-	(111,049)	(33,045)
Cash flows from financing activities:				
Principal payments on note payable	-	-	-	(147,183)
Net cash flows from financing activities	-	-	-	(147,183)
Net increase (decrease) in				
cash and cash equivalents	207,934	74,045	281,979	(292,271)
Cash and cash equivalents - beginning	126,637	-	126,637	418,908
Cash and cash equivalents - end	\$ 334,571	74,045	408,616	126,637
Supplementary information:				
Interest paid	\$ -	-	-	8,834

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Notes to Financial Statements

June 30, 2012

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

Nature of Activities

Circus Sarasota, Inc. ("the Organization") was incorporated as a not-for profit organization under the laws of the State of Florida on September 27, 1997. 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.

Sailor Circus

On October 5, 2011, Sailor Circus merged with Circus Sarasota. Originating in 1949 as a small high school gymnastics class, Sailor Circus has grown into a spectacular youth training program serving students 4th through 12th grades. Each year students train countless hours per week with dedicated coaches and volunteers to create performances that have become a major tourist attraction in Southwest Florida.

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 teach 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.

Circus Sarasota, Inc.

Notes to Financial Statements – Continued
June 30, 2012

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

Financial Statement Presentation

Financial statement presentation follows the recommendations of the *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.

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, 2012

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 from grantors or other sources in advance of providing required services 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. For the year ended June 30, 2012 there was no income tax expense from these activities. 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 an accounting standard relating to accounting for uncertainty in income taxes. 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, 2012. The Organization's federal income tax returns for 2011, 2010 and 2009 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, 2012

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

Donated Services

The Organization recognizes donated services which 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, 2011, from which the summarized information was derived.

Note 2 – Unconditional Promises to Give:

As of June 30, 2012, the Organization has recognized unconditional promises to give totaling \$79,173. These amounts are net of an allowance for uncollectible promises of \$4,323 at June 30, 2012. Pledge receivables are discounted to present value at rates ranging from 1.07% to 2.72%.

Unconditional promises to give at June 30, 2012, are due as follows:

<u>For year ending June 30</u>	
2013	\$ 26,550
2014	25,450
2015	20,650
2016	12,550
2016	1,250
Total pledges receivable	<u>86,450</u>
Less: discount	(2,954)
Less: allowance for uncollectible promises	<u>(4,323)</u>
Net pledges receivable	<u>\$ 79,173</u>

Circus Sarasota, Inc.

Notes to Financial Statements – Continued

June 30, 2012

Note 3 – Property and Equipment:

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

Automotive	\$	90,839
Equipment		227,449
Tent		766,880
Furniture & fixtures		4,385
Construction in progress		<u>78,894</u>
Total		1,168,447
Less: accumulated depreciation		<u>(644,943)</u>
	\$	<u>523,504</u>

Note 4 – Donated Services:

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

Advertising	\$	143,040
Legal and accounting		15,000
Performance		<u>42,989</u>
Total donated services		201,029
Less: tickets exchanged		<u>(7,650)</u>
Net donated services	\$	<u>193,379</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, 2012. There were no deposits in excess of FDIC insurance limits on June 30, 2012.

Circus Sarasota, Inc.

Notes to Financial Statements – Continued
June 30, 2012

Note 6 – Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Facilities	\$ 2,475,728
Equipment	50,775
Phoenix Academy	5,000
Total	<u>\$ 2,531,503</u>

Note 7 – Contribution Receivable, Use of Facilities

In October 2011, the Organization entered into a lease agreement with the School Board of Sarasota County, Florida for the Sailor Circus property. The period of the lease was 42 years at an annual rental of \$1, with a provision to extend the lease for one additional 10-year period at the same rate.

Generally accepted accounting principles require below market lease arrangements to be accounted for at the fair value of the lease and to record a contribution equal to the present value of lease benefits. Additionally, lease expense is recorded ratably over the life of the lease based on the present value of lease payments at fair market value.

Rental expense for the year ended June 30, 2012, was \$74,259.

Future lease expense for years ending June 30 is as follows:

2013	\$ 99,012
2014	99,012
2015	99,012
2016	99,012
2017	99,012
Thereafter	3,589,185

Note 8 – Subsequent Events:

In August 2012 the Organization received official notification that it is the beneficiary of a trust and is expected to receive \$1,000,000 from the trust.

Other subsequent events have been evaluated through October 24, 2012, which is the date the financial statements were available to be issued.