

**Circus Sarasota, Inc.**

**Financial Statements**  
**June 30, 2013**

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**CAVANAUGH & CO, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Circus Sarasota, Inc.

We have audited the accompanying financial statements of Circus Sarasota, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses 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.

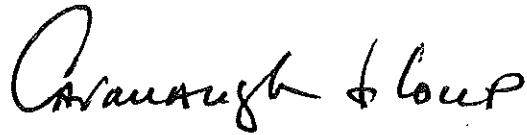
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Circus Sarasota, Inc. as of June 30, 2013, 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 Summarized Comparative Information**

We have previously audited Circus Sarasota, Inc.'s 2012 financial statements, and our report dated October 24, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Carraugh & Loup". The signature is written in a cursive, flowing style.

Sarasota, Florida  
September 30, 2013

Circus Sarasota, Inc.

Statement of Financial Position  
June 30, 2013

	<u>ASSETS</u>			2012
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
Current assets:				
Cash and cash equivalents	\$ 449,041	1,477,596	1,926,637	408,616
Accounts receivable	19,652	-	19,652	29,410
Inventory	17,599	-	17,599	10,268
Unconditional promises to give, net	-	23,720	23,720	10,612
Prepaid expenses	<u>72,980</u>	<u>-</u>	<u>72,980</u>	<u>88,612</u>
Total current assets	559,272	1,501,316	2,060,588	547,518
Other Assets				
Contribution receivable, use of facilities	-	2,326,799	2,326,799	2,420,783
Long-term unconditional promises to give, net	-	34,050	34,050	68,561
Property and equipment, net	<u>647,709</u>	<u>-</u>	<u>647,709</u>	<u>523,504</u>
Total other assets	<u>647,709</u>	<u>2,360,849</u>	<u>3,008,558</u>	<u>3,012,848</u>
Total assets	<u>\$ 1,206,981</u>	<u>3,862,165</u>	<u>5,069,146</u>	<u>3,560,366</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable	\$ 54,431	-	54,431	76,407
Accrued expenses	12,886	-	12,886	-
Deferred revenue	<u>70,950</u>	<u>-</u>	<u>70,950</u>	<u>42,498</u>
Total current liabilities	138,267	-	138,267	118,905
Net assets	<u>1,068,714</u>	<u>3,862,165</u>	<u>4,930,879</u>	<u>3,441,461</u>
Total liabilities and net assets	<u>\$ 1,206,981</u>	<u>3,862,165</u>	<u>5,069,146</u>	<u>3,560,366</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2013

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
<b>Revenues and support:</b>				
<u>Revenues:</u>				
Performing	\$ 1,558,150	-	1,558,150	1,262,127
Concessions	197,137	-	197,137	175,972
Education programs	152,708	-	152,708	94,536
Interest	1,147	-	1,147	151
Rental	67,680	-	67,680	84,904
Other	49,562	-	49,562	47,629
Total revenues	<u>2,026,384</u>	<u>-</u>	<u>2,026,384</u>	<u>1,665,319</u>
<u>Support:</u>				
Contributions	234,173	1,628,991	1,863,164	2,784,703
Grants	39,427	134,784	174,211	253,389
Special events	244,001	-	244,001	233,335
Donated goods and services	193,231	-	193,231	193,379
Total support	<u>710,832</u>	<u>1,763,775</u>	<u>2,474,607</u>	<u>3,464,806</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	433,113	(433,113)	-	-
Total revenues and support	<u>3,170,329</u>	<u>1,330,662</u>	<u>4,500,991</u>	<u>5,130,125</u>
<b>Expenses:</b>				
Program services	2,378,775	-	2,378,775	1,958,809
General and administrative	415,457	-	415,457	324,984
Fundraising	217,341	-	217,341	156,426
Total expenses	<u>3,011,573</u>	<u>-</u>	<u>3,011,573</u>	<u>2,440,219</u>
Change in net assets	158,756	1,330,662	1,489,418	2,689,906
Net assets - beginning of year	<u>909,958</u>	<u>2,531,503</u>	<u>3,441,461</u>	<u>751,555</u>
Net assets - end of year	<u>\$ 1,068,714</u>	<u>3,862,165</u>	<u>4,930,879</u>	<u>3,441,461</u>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2013

	2013			Total	2012 Total (For Comparative Purposes Only)
	Program Services	General and Administrative	Fundraising		
Advertising	\$ 400,265	-	-	400,265	376,952
Audio-visual	5,902	2,183	-	8,085	4,135
Automotive	29,477	12,633	-	42,110	31,181
Bad debt	-	-	-	-	978
Bank charges	48,683	6,730	-	55,413	37,490
Commissions-sales	16,431	-	-	16,431	16,474
Cost of concession sales	120,725	-	-	120,725	104,900
Contract services	139,549	-	24,621	164,170	63,066
Costumes/uniforms/ makeup/props	17,649	-	-	17,649	11,204
Depreciation	93,121	23,280	-	116,401	119,506
Development	-	-	4,453	4,453	50,627
Dues and subscriptions	3,479	3,056	-	6,535	9,294
Equipment rental	170,019	-	-	170,019	141,505
Insurance	131,973	31,008	-	162,981	99,485
Interest	-	-	-	-	-
Lease expense	99,012	-	-	99,012	74,259
Legal and accounting	11,033	44,124	10,584	65,741	31,669
Meals and entertainment	3,508	3,110	-	6,618	5,101
Office and utilities	66,927	9,934	474	77,335	59,419
Outside bookings	55,495	-	-	55,495	92,943
Payroll	713,969	222,170	147,428	1,083,567	891,433
Payroll fees	3,893	-	-	3,893	2,749
Payroll taxes	49,374	15,361	10,198	74,933	63,072
Postage	-	7,565	-	7,565	5,949
Repairs and maintenance	7,461	9,337	-	16,798	10,323
Rigging, equipment and reposition	8,605	-	-	8,605	1,499
Supplies	79,519	-	19,583	99,102	53,259
Taxes-other	14,859	-	-	14,859	12,524
Telephone	24,966	24,966	-	49,931	28,094
Travel	62,881	-	-	62,881	41,129
<b>Total expenses</b>	<b>\$2,378,775</b>	<b>415,457</b>	<b>217,341</b>	<b>3,011,572</b>	<b>2,440,219</b>

See accompanying notes to financial statements.

Circus Sarasota, Inc.

Statement of Cash Flows  
Year Ended June 30, 2013

	2013			2012 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Total	
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 158,756	1,330,662	1,489,418	2,689,906
Adjustments to reconcile change in net assets to net cash flows from operating activities				
Contribution of long-term use of facilities	-	-	-	(2,420,783)
Bad debt	-	-	-	978
Depreciation	116,401	-	116,401	119,506
(Increase) decrease in:				
Accounts receivable	9,758	-	9,758	10,526
Due (to) from other fund	-	-	-	-
Inventory	(7,331)	-	(7,331)	(6,122)
Unconditional promises to give	-	21,403	21,403	(26,468)
Prepaid expenses	15,632	-	15,632	(46,699)
Contribution receivable, use of facilities	-	93,984	93,984	-
Increase (decrease) in:				
Accounts payable	(21,976)	-	(21,976)	46,956
Accrued expenses	12,886	-	12,886	(17,270)
Deferred revenue	70,950	(42,498)	28,452	42,498
Total adjustments	<u>196,320</u>	<u>72,889</u>	<u>269,209</u>	<u>(2,296,878)</u>
Net cash flows from operating activities	<u>355,076</u>	<u>1,403,551</u>	<u>1,758,627</u>	<u>393,028</u>
<b>Cash flows from investing activities:</b>				
Purchase of equipment	<u>(240,606)</u>	-	<u>(240,606)</u>	<u>(111,049)</u>
Net cash flows from investing activities	<u>(240,606)</u>	-	<u>(240,606)</u>	<u>(111,049)</u>
<b>Net increase (decrease) in</b>				
cash and cash equivalents	114,470	1,403,551	1,518,021	281,979
Cash and cash equivalents - beginning	<u>334,571</u>	<u>74,045</u>	<u>408,616</u>	<u>126,637</u>
Cash and cash equivalents - end	<u>\$ 449,041</u>	<u>1,477,596</u>	<u>1,926,637</u>	<u>408,616</u>

See accompanying notes to financial statements.



**Circus Sarasota, Inc.**

**Notes to Financial Statements**  
June 30, 2013

**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 4<sup>th</sup> through 12<sup>th</sup> 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

June 30, 2013

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

June 30, 2013

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, 2013 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, 2013. The Organization's federal income tax returns for 2012, 2011 and 2010 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  
June 30, 2013

**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, 2012, from which the summarized information was derived.

**Note 2 – Unconditional Promises to Give:**

As of June 30, 2013, the Organization has recognized unconditional promises to give totaling \$57,770. These amounts are net of an allowance for uncollectible promises of \$3,123 at June 30, 2013. Pledge receivables are discounted to present value at rates ranging from .95% to 2.72%.

Unconditional promises to give at June 30, 2013, are due as follows:

<u>For year ending June 30</u>	
2014	\$ 28,400
2015	19,850
2016	12,750
2017	1,450
Total pledges receivable	62,450
Less: discount	(1,557)
Less: allowance for uncollectible promises	(3,123)
Net pledges receivable	\$ <u>57,770</u>

Circus Sarasota, Inc.

Notes to Financial Statements

June 30, 2013

**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	
Equipment	\$ 144,064
Tent	240,036
Tent improvements	766,880
Furniture & fixtures	100,035
Leasehold improvements	5,305
Total	<u>1,409,053</u>
Less: accumulated depreciation	<u>(761,344)</u>
Net property and equipment	\$ <u>647,709</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	\$ 149,735
Legal and accounting	20,340
Performance	30,806
Total donated services	<u>200,881</u>
Less: tickets exchanged	<u>(7,650)</u>
Net donated services	\$ <u>193,231</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, 2013. The organization held deposits of \$32,196 in excess of FDIC insurance limits on June 30, 2013.

Circus Sarasota, Inc.

Notes to Financial Statements

June 30, 2013

**Note 6 – Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

Facilities and equipment	\$ 3,857,165
Phoenix Academy	5,000
Total	<u>\$ 3,862,165</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, 2013, was \$99,012.

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

2014	\$ 99,012
2015	99,012
2016	99,012
2017	99,012
2018	99,012
Thereafter	3,490,173

**Note 8 – Subsequent Events:**

Subsequent events have been evaluated through September 30, 2013, which is the date the financial statements were available to be issued.