

The Circus Arts Conservatory, Inc.

Financial Statements

June 30, 2018

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Circus Arts Conservatory, Inc.

We have audited the accompanying financial statements of The Circus Arts Conservatory, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Circus Arts Conservatory, Inc. as of June 30, 2018, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited The Circus Arts Conservatory, Inc.'s June 30, 2017 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated January 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state projects 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of The Circus Arts Conservatory, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Circus Arts Conservatory, Inc.'s internal control over financial reporting and compliance.



Sarasota, Florida
March 28, 2019

Circus Arts Conservatory, Inc.

Statement of Financial Position

June 30, 2018

	<u>ASSETS</u>			2017 Total (For Comparative Purposes Only)
	Unrestricted	Temporarily Restricted	Total	
Current assets:				
Cash and cash equivalents	\$ 600,445	-	600,445	978,949
Board designated cash	-	-	-	96,169
Cash held in escrow	2,881,241	-	2,881,241	-
Investment in community foundations, pooled investment funds	51,166	-	51,166	213,428
Accounts receivable	54,888	-	54,888	301,063
Inventory	8,234	-	8,234	8,234
Unconditional promises to give, net	-	163,899	163,899	12,400
Due to/from other fund	(956,147)	956,147	-	-
Prepaid expenses	35,839	-	35,839	142,742
Total current assets	<u>2,675,666</u>	<u>1,120,046</u>	<u>3,795,712</u>	<u>1,752,985</u>
Property and equipment, net	<u>1,716,001</u>	<u>-</u>	<u>1,716,001</u>	<u>892,880</u>
Other assets:				
Investment in community foundations, pooled investment funds, board designated	-	-	-	537,942
Contribution receivable, use of facilities	-	1,891,920	1,891,920	1,974,423
Long-term unconditional promises to give, net	-	267,385	267,385	32,300
Total other assets	<u>-</u>	<u>2,159,305</u>	<u>2,159,305</u>	<u>2,544,665</u>
Total assets	<u>\$ 4,391,667</u>	<u>3,279,351</u>	<u>7,671,018</u>	<u>5,190,530</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 392,393	-	392,393	385,652
Accrued expenses	43,807	-	43,807	46,818
Deferred revenue	59,287	23,571	82,858	105,387
Notes payable	811,500	-	811,500	-
Total current liabilities	<u>1,306,987</u>	<u>23,571</u>	<u>1,330,558</u>	<u>537,857</u>
Net assets				
Unrestricted, undesignated	3,084,680	-	3,084,680	1,900,492
Unrestricted, board designated	-	-	-	676,111
Temporarily restricted	-	3,255,780	3,255,780	2,076,070
Total net assets	<u>3,084,680</u>	<u>3,255,780</u>	<u>6,340,460</u>	<u>4,652,673</u>
Total liabilities and net assets	<u>\$ 4,391,667</u>	<u>3,279,351</u>	<u>7,671,018</u>	<u>5,190,530</u>

See accompanying notes to financial statements.

Circus Arts Conservatory, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
Revenues and public support:				
Revenues:				
Performing	\$ 1,782,112	-	1,782,112	2,074,531
Education programs	271,684	-	271,684	445,223
Outside bookings	203,233	-	203,233	175,920
Investment return	56,983	-	56,983	88,891
Rental	184,316	-	184,316	98,850
Other	4,170	-	4,170	4,798
Total revenues	2,502,498	-	2,502,498	2,888,213
Public support:				
Contributions	199,683	1,254,470	1,454,153	382,759
Grants	149,415	828,818	978,233	194,004
Special events	215,170	-	215,170	336,527
Donated goods and services	305,092	-	305,092	308,501
Total public support	869,360	2,083,288	2,952,648	1,221,791
Net assets released from restrictions:				
Satisfaction of program restrictions	903,578	(903,578)	-	-
Total revenues and public support	4,275,436	1,179,710	5,455,146	4,110,004
Expenses:				
Program services	3,015,769	-	3,015,769	3,414,357
Supporting services:				
General and administrative	326,240	-	326,240	303,485
Fundraising	425,350	-	425,350	597,865
Total expenses	3,767,359	-	3,767,359	4,315,707
Change in net assets before other revenues	508,077	1,179,710	1,687,787	(205,703)
Other revenue:				
BP Deep Water Claim Settlement, net of fees	-	-	-	234,105
Change in net assets	508,077	1,179,710	1,687,787	28,402
Net assets - beginning of year	2,576,603	2,076,070	4,652,673	4,624,271
Net assets - end of year	\$ 3,084,680	3,255,780	6,340,460	4,652,673

See accompanying notes to financial statements.

Circus Arts Conservatory, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

	2018			2017 Total (For Comparative Purposes Only)	
	Program Services	General and Administrative	Fundraising		Total
Shows and production	856,758	-	-	856,758	991,412
Education and outreach	29,190	-	-	29,190	69,834
Outside bookings	53,583	115	4,042	57,740	94,087
Advertising and marketing	604,668	8,883	20,938	634,489	608,666
Personnel	1,088,070	66,346	172,499	1,326,915	1,627,969
Administrative	220,131	146,754	34,083	400,968	394,343
Development	-	-	193,788	193,788	273,962
Lease expense	79,210	19,802	-	99,012	99,013
Depreciation	84,159	21,040	-	105,199	117,207
Other expense	-	63,300	-	63,300	39,214
Total expenses	\$ 3,015,769	326,240	425,350	3,767,359	4,315,707

See accompanying notes to financial statements.

Circus Arts Conservatory, Inc.

Statement of Cash Flows

Year Ended June 30, 2018

	2018	2017 Total (For Comparative Purposes Only)
Cash flows from operating activities:		
Change in net assets	\$ 1,687,787	28,402
Adjustments to reconcile change in net asset to net cash flows from operating activities		
Bad debt	-	2,177
Depreciation	105,199	117,207
Realized and unrealized gains on investments	(56,983)	(81,920)
Contribution receivable, use of facilities	82,503	84,681
(Increase) decrease in:		
Accounts receivable	246,175	(290,200)
Inventory	-	1,723
Unconditional promises to give	(386,584)	(37,523)
Prepaid expenses	106,903	(48,547)
Increase (decrease) in:		
Accounts payable	6,741	342,909
Accrued expenses	(3,011)	9,877
Deferred revenue	(22,529)	(19,513)
Total adjustments	78,414	80,871
Net cash flows from operating activities	1,766,201	109,273
Cash flows from investing activities:		
Purchase of property and equipment	(928,320)	(280,528)
Proceeds from sale of investments	757,187	12,039
Net cash flows from investing activities	(171,133)	(268,489)
Cash flows from financing activities:		
Proceeds from notes payable	950,000	-
Payments on notes payable	(138,500)	-
Net cash flows from financing activities	811,500	-
Net increase (decrease) in cash and cash equivalents	2,406,568	(159,216)
Cash and cash equivalents - beginning of year	1,075,118	1,234,334
Cash and cash equivalents - end of year	\$ 3,481,686	1,075,118
Cash and cash equivalents	\$ 600,445	978,949
Board designated cash	-	96,169
Cash held in escrow	2,881,241	-
Total cash per statement of financial position	\$ 3,481,686	1,075,118

See accompanying notes to financial statements.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

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

The Circus Arts Conservatory, Inc. (“CAC” or “the Organization”, dba Circus Sarasota) was incorporated as The National Circus School of Performing Arts, a not-for-profit organization under the laws of the State of Florida on September 27, 1997. The Organization’s name was later changed to Circus Sarasota, Inc. before becoming The Circus Arts Conservatory in 2013.

CAC’s extraordinary mission underscores its commitment to sharing the entertainment, education and enrichment that circus arts provide. The CAC aims to preserve and expand the extraordinary 90+ year heritage and culture of the circus in Sarasota started by John Ringling in 1927.

Committed to raising the perception of the circus as the valuable art form it represents, CAC is much more than a circus. CAC’s vision and programming supports the region’s growing reputation as a leading cultural, athletic and sports destination. CAC operates producing performances, events, youth training, and community outreach programs that serve children, the elderly and those in care facilities and schools. It remains equally important to CAC to preserve Sarasota’s unique circus legacy through education, human service and the performing arts.

The mission of The Circus Arts Conservatory is to engage and educate students using unique and innovative learning programs; to measurably improve the quality of life for individuals in care facilities; and to advance the extraordinary legacy and heritage of the circus.

The Organization’s core service lines include:

Performance: Each year Circus Sarasota presents a multitude of circus productions that expand all creative barriers and bring the best in circus arts to southwest Florida. These professional performances have been acclaimed around the globe for world-class artistry, whether showcased in a one-ring, European-style big top, the unique Sailor Circus arena or an intimate historic theater. CAC is a generous community partner with other organizations, donating in excess of 5,000 tickets to local non-profits annually. For almost two decades, Circus Sarasota’s winter show featuring an international all-star lineup of circus acts under the big top has awed audiences in southwest Florida.

Training: Sailor Circus Academy is an after-school training program for students aged 8-18. Originating in 1949 as a small high school gymnastics class, Sailor Circus has grown into a spectacular, youth training program serving students in 4th to 12th grades. Through this rigorous, interdisciplinary and athletic performing arts program, students develop life management skills, gain self-discipline and bolster confidence, all while learning the circus arts. For almost seven decades, thousands of students have completed the Sailor Circus program. Students train many hours per week with dedicated coaches and volunteers to create performances that have become a major tourist attraction in the southwest Florida region. Sailor Circus is known worldwide as “The Greatest “Little” Show on Earth” with more than one million spectators attending performances of America’s oldest youth circus. Sailor Circus Academy students are recognized as future leaders and major contributors to the circus legacy in Sarasota and beyond.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

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

Outreach: The Humor Therapy program brings joy, memory stimulation and entertainment into nursing homes and care facilities to impact lives and improve the quality of life for everyone involved including those with dementia and Alzheimer’s disease. Seniors, patients, their families and staff all enjoy the talents of professional clowns and entertainers. The age-old art of clowning sets the state for therapeutic interaction that reaches far beyond simple entertainment to foster meaningful relationships with those in need.

From the one-on-one bedside visitation and conversations, to memory stimulation and physical activities, The Humor Therapy Program enhances the lives of all its participants. Medical studies consistently demonstrate that laughter reduces stress, eases anxiety and depression, decreases pain perception and has a positive, lasting effect on the body’s immune system, heart and brain.

CAC’s one-of-a-kind education program takes learning in the classroom to a new level. Our teaching artists engage students in key academic subjects like Science, Language Arts and Theater. These inquiry-based lessons are developed to comply with the new Florida State Standards. Since 2012, we have instructed more than 12,000 students in 40 elementary and middle schools.

CAC provides all students with a safe learning environment that encourages creativity and introduces students of all learning levels and learning styles to the circus arts and sciences. This helps students recognize the importance of science, technology and mathematics providing all students with a kinesthetic interdisciplinary learning experience. CAC follows the Kennedy Center Arts Integration protocol because it is now that “when students learn through Arts Integration, they are engaged in experiences in which they actively build and demonstrate their understanding of both the art form and the other curriculum area.”

Legacy: In November 1927, John Ringling moved his circus headquarters from Bridgeport, Connecticut to Sarasota County, Florida – the circus train rolled into town as it would for the next 33 years, leading to the creation of the vibrant city that Sarasota is today.

Over the years, the residents of Sarasota have embraced the circus community and found ways to honor it. Initiated in 1970 by the Ringling Museum, the Circus Celebrity award honors those whose performances represent the highest achievements in skill, daring, and showmanship. The Circus “Ring of Fame” was created in 1987 to recognize persons who have made a significant contribution to the art and culture of the circus. The Ring of Fame graces a park at St. Armand’s Circle in Sarasota. Pedro Reis and Dolly Jacob-Reis have received both prestigious awards.

After an absence of many years, today Sarasota claims its own professional resident circus, Circus Sarasota. Stewarding Sailor Circus under the CAC umbrella, both work side by side promoting the cultural legacy of this region as the present and future of the circus arts. This effort was recognized nationally in 2015 when the National Endowment for the Arts presented CAC co-founder Dolly Jacob-Reis the NEA National Heritage Fellowship, the nation’s highest award in Folk and Traditional Arts.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

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

The CAC has a vision to be recognized as the nation's leading nonprofit organization perpetuating the circus arts as Southwest Florida's historical legacy through innovative programming. Through educational programming in classrooms, enrichment in humor therapy and presentation of world class performances, CAC believes the circus arts will both reflect and expand the community's interests.

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 *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.

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.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets as of June 30, 2018.

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.

Investments

Investments in securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and realized gains are reported as increases in unrestricted net assets unless restricted by a donor.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

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

Receivables

The Organization records receivables at their net realizable value. An allowance for doubtful accounts is established based on a 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.

Property and Equipment

The Organization's policy is 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 for 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.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

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

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, 2018 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 and 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, 2018. The Organization's federal income tax returns 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.

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 and expenses 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.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

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

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 audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year statements.

Note 2 – Uninsured Cash Balances:

The Organization maintains its cash balances at financial institutions located in the United States of America. 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, 2018. There were no cash balances in excess of FDIC limits at June 30, 2018.

Note 3 – Unconditional Promises to Give:

As of June 30, 2018, the Organization has recognized unconditional promises to give totaling \$431,284. These amounts are net of an allowance for uncollectible promises of \$1,000 at June 30, 2018. Pledge receivables are discounted to present value at rates ranging from .95% to 2.72%.

Unconditional promises to give at June 30, 2018, are due as follows:

<u>For year ending June 30</u>	
2019	\$ 163,899
2020	154,199
2021	111,186
2022 and thereafter	<u>3,000</u>
Total pledges receivable	432,284
Less: discount and allowance for uncollectible promises	<u>(1,000)</u>
Net pledges receivable	<u>\$ 431,284</u>

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

Note 4 – 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	\$	279,444
Equipment		356,078
Tent and related equipment		382,757
Tent Improvements – seating		295,749
Tent Improvements – lighting and other		195,638
Furniture and fixtures		4,105
Leasehold improvements		155,634
Construction in progress		<u>982,940</u>
Total		2,652,345
Less: accumulated depreciation		<u>(936,344)</u>
Net property and equipment	\$	<u>1,716,001</u>

The Organization is making improvements to its Sailor Circus Arena. The cost of these improvements is estimated to be approximately \$3.3 million. Funding sources include a \$1 million grant agreement with the Florida Department of Economic Authority, a capital campaign, previously designated assets, loans and other resources. The Organization has entered into a construction agreement for these improvements with a local contractor and, as per the agreement, required to place \$3 million in escrow to be drawn on as construction progresses.

Note 5 – Notes Payable:

Note payable to a related party, no stated interest rate. Principal to be paid no later than February 2019 unless parties agree to an extension. \$ 250,000

Note payable to local community foundation. Original advance was \$700,000. Interest accrues at three percent and is due along with any unpaid principal no later than March 2019. 561,500

Total notes payable \$ 811,500

Note 6 – Unrestricted Net Assets, Board Designated:

In previous years the Board of Directors has designated \$500,000 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since the amount resulted from an internal designation and is not donor-restricted, it has been classified and reported as unrestricted net assets. As of June 30, 2017 the balance of these funds was \$537,942. During the year the Board released these funds from this designation to aid in the Sailor Circus Arena improvements noted above.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

Note 7 – Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Facilities:	
Use of facilities	\$ 1,891,920
Capital campaign	1,304,013
Equipment	5,885
Education	<u>53,962</u>
Total	<u>\$ 3,255,780</u>

Note 8 – Line of Credit:

The Organization maintains a line of credit at PNC Bank. The line is secured by the circus tent and has an interest rate of prime plus 0.90% (5.90% at June 30, 2018) for borrowings outstanding. There were no amounts outstanding at June 30, 2018.

Note 9 – Employee Retirement Plan:

During the year ended June 30, 2014, the Organization established a 403(b) retirement plan. Employees are eligible for the plan after completely satisfying the age and service requirements. The Organization may make discretionary contributions to the plan. For the year ended June 30, 2018, the Organization did not make a discretionary contribution to the retirement plan.

Note 10 – Donated Goods and Services:

The Organization received donated goods and services in connection with its operations. The estimated fair market value of such goods and services meeting the requirements for recognition in the financial statements has been recorded as follows:

Advertising	\$ 319,548
Other	<u>16,509</u>
Total donated services	336,057
Less: tickets exchanged	<u>(30,965)</u>
Net donated services	<u>\$ 305,092</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 the Statement of Financial Position, Statement of Activities and Statement of Functional Expenses in the appropriate asset, income and expense categories.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in fulfilling its mission. The Organization benefitted from approximately 7,200 volunteer hours during the year ended June 30, 2018.

The Circus Arts Conservatory, Inc.

Notes to Financial Statements

June 30, 2018

Note 11 – 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, 2018, was \$99,012.

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

2018	\$	99,012
2019		99,012
2020		99,012
2021		99,012
2022		99,012
Thereafter		2,995,113

Note 12– Subsequent Events:

Subsequent events have been evaluated through March 28, 2019 which is the date the financial statements were available to be issued.

The Circus Arts Conservatory, Inc.

Schedule of State Projects

Year Ended June 30, 2018

<u>Agency and Program Title</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
Department of Economic Opportunity	HL079	<u>\$ 808,487</u>

Note- This schedule has been prepared on the accrual basis of accounting.

The Circus Arts Conservatory, Inc.

Schedule of Findings and Questioned Costs

June 30, 2018

I. Summary of Auditor's Results

Financial Statements

- 1. We have audited the financial statements of The Circus Arts Conservatory, Inc. as of and for the year ended June 30, 2018 and issued an unmodified opinion.

- 2. Internal Control over Financial Reporting:
 - A. Material weaknesses identified? No
 - B. Significant deficiencies identified not considered to be a material weakness? No

- 3. Noncompliance material to the financial statements noted? No

State Projects

- 4. Internal Control over Major Programs
 - A. Material weaknesses identified? No
 - B. Significant deficiencies identified not considered to be a material weakness? No

- 5. The auditor's report on compliance with requirements applicable to the major state project expresses an unmodified opinion.

- 6. Our audit disclosed no findings required to be reported in accordance with CFR200.516(a), nor did our audit disclose any findings related to the state project required to be disclosed under Chapter 10.656 Rules of the Auditor General.

- 7. The programs/projects tested as major projects included the following:

State of Florida Department of Economic Opportunity
Contract HL079

- 8. The threshold used for distinguishing Type A and Type B programs was \$242,546 for major State projects.

- 9. Rules of the Auditor General 10.656(3)(e) - A management letter was not required.

- 10. Rules of the Auditor General 10.650(1)(i) - There were no prior audit findings to be reported.

II. Findings Related To The Financial Statements Required to be Reported.

None

III. Findings and Questioned Costs for the Major State Project

None



CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Circus Arts Conservatory, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Circus Arts Conservatory, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Circus Arts Conservatory, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Circus Arts Conservatory, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Circus Arts Conservatory, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cavanaugh & Co. LLP". The signature is written in a cursive, flowing style.

Sarasota, Florida
March 28, 2019



CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
AND RULES OF THE AUDITOR GENERAL**

To the Board of Directors

The Circus Arts Conservatory, Inc.

Report on Compliance for Each State Project

We have audited The Circus Arts Conservatory, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Project Compliance Supplement*, that could have a direct and material effect on each of The Circus Arts Conservatory, Inc.'s state projects for the year ended June 30, 2018. The Circus Arts Conservatory, Inc.'s state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal and State statutes, regulations, contracts, and the terms and conditions applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Circus Arts Conservatory, Inc.'s State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of The Circus Arts Conservatory, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, The Circus Arts Conservatory, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of The Circus Arts Conservatory, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Circus Arts Conservatory, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Circus Arts Conservatory, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Sarasota, Florida

March 28 2019

A handwritten signature in black ink that reads "Cavanaugh + COLP". The signature is written in a cursive, flowing style.