

**CYGNET THEATRE COMPANY**

**FINANCIAL REPORT**

**June 30, 2013**

**WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

**RONALD E. GRUND, C.P.A., INC.**

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RONALD E. GRUND, C.P.A., INC.  
P.O. BOX 420163  
SAN DIEGO, CALIFORNIA 92142  
619 – 645-7238

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS**

**Board of Directors  
CYGNET THEATRE COMPANY**

I have audited the accompanying statement of financial position of **Cygnnet Theatre Company** as of June 30, 2013 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Cygnnet Theatre Company** of June 30, 2013 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.

**RONALD E. GRUND, C.P.A., INC.**

August 24, 2013

CYGNET THEATRE COMPANY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013  
(with combined fund totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash (including \$ 40,000 pledged as security for theatre lease)	\$ 70,255.07	\$ 48,341.06
Capital campaign pledges receivable	-	17,157.90
Accounts receivable	158,834.50	82,875.25
Prepaid expenses	58,709.43	94,493.46
Deposits	8,615.50	6,549.75
Property and equipment, net of accumulated depreciation	<u>514,571.15</u>	<u>562,736.96</u>
Total Assets	<u>\$ 810,985.65</u>	<u>\$ 812,154.38</u>
Liabilities:		
Capitalized lease obligations	\$ -	\$ 7,762.37
Accounts payable	114,662.77	158,617.86
Accrued vacation	15,335.12	36,171.12
Credit cards	1,457.36	2,139.93
Advance ticket sales	320,624.34	277,835.88
0% Notes payable to officers/directors	<u>45,814.13</u>	<u>95,726.34</u>
Total Liabilities	<u>497,893.72</u>	<u>578,253.50</u>
Commitments and contingencies		
Net Assets:		
Unrestricted	238,091.93	193,900.88
Temporarily restricted	<u>75,000.00</u>	<u>40,000.00</u>
Total Net Assets	<u>313,091.93</u>	<u>233,900.88</u>
Total Liabilities and Net Assets	<u>\$ 810,985.65</u>	<u>\$ 812,154.38</u>

SEE NOTES TO FINANCIAL STATEMENTS

CYGNET THEATRE COMPANY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
(with combined fund totals for June 2012)

	2013			2012
	UNRESTRICTED	TEMPORARILY RESTRICTED	COMBINED FUNDS	COMBINED FUNDS
<b>SUPPORT AND REVENUE</b>				
SUPPORT:				
CONTRIBUTIONS				
CASH	\$ 637,808.65	\$ 75,000.00	\$ 712,808.65	\$ 480,259.85
IN KIND	2,250.00	-	2,250.00	-
FUND RAISING	86,439.00	-	86,439.00	88,471.00
TOTAL SUPPORT	726,497.65	75,000.00	801,497.65	568,730.85
REVENUE:				
TICKET SALES	961,334.93	-	961,334.93	1,047,619.33
CONCESSIONS AND OTHER	42,225.44	-	42,225.44	46,631.98
GOVERNMENT GRANTS	127,418.00	-	127,418.00	131,461.00
INVESTMENT INCOME	123.39	-	123.39	364.44
NET ASSETS RELEASED FROM RESTRICTIONS:				
SATISFACTION OF PROGRAM RESTRICTIONS	40,000.00	(40,000.00)	-	-
TOTAL REVENUE	1,171,101.76	(40,000.00)	1,131,101.76	1,226,076.75
<b>TOTAL SUPPORT AND REVENUE</b>	1,897,599.41	35,000.00	1,932,599.41	1,794,807.60
<b>EXPENSES</b>				
PROGRAM EXPENSES	1,723,297.00	-	1,723,297.00	1,811,032.64
FUND RAISING EXPENSES	130,111.36	-	130,111.36	119,399.88
TOTAL EXPENSES	1,853,408.36	-	1,853,408.36	1,930,432.52
INCREASE (DECREASE) IN NET ASSETS	44,191.05	35,000.00	79,191.05	(135,624.92)
NET ASSETS, BEGINNING OF THE YEAR	193,900.88	40,000.00	233,900.88	369,525.80
NET ASSETS, END OF THE YEAR	\$ 238,091.93	\$ 75,000.00	\$ 313,091.93	\$ 233,900.89

SEE NOTES TO FINANCIAL STATEMENTS

CYGNET THEATRE COMPANY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013  
(with combined fund totals for the year 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 79,191.05	\$ (135,624.92)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	73,991.00	71,831.00
(Increase) decrease in operating assets:		
Accounts receivable	(58,801.35)	107,290.00
Other assets	33,718.28	(34,746.10)
Increase (decrease) in operating liabilities:		
Accounts payable	(43,955.09)	53,801.16
Accrued vacation	(20,836.00)	23,913.62
Advance ticket sales	42,788.46	(8,547.12)
Credit cards	(882.57)	100.34
Notes payable - officers/directors	<u>(49,812.21)</u>	<u>26,826.34</u>
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	55,501.57	103,544.32
CASH FLOWS USED IN CAPITAL/FINANCING ACTIVITIES		
Note payable to bank	-	(38,999.00)
Capitalized lease obligation (net of repayments)	(7,762.37)	(12,536.92)
Additions (disposals) of property and equipment (net)	<u>(25,825.19)</u>	<u>(66,734.83)</u>
NET CASH FLOWS USED IN CAPITAL/FINANCING ACTIVITIES	<u>(33,587.56)</u>	<u>(119,270.75)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,914.01	(15,726.43)
CASH AND CASH EQUIVALENTS :		
Beginning of the year	<u>48,341.06</u>	<u>64,067.59</u>
End of the year	<u>\$ 70,255.07</u>	<u>\$ 48,341.06</u>

SEE NOTES TO FINANCIAL STATEMENTS

CYGNET THEATRE COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013  
(with combined fund totals for 2012)

EXPENSE CATEGORY	2013			2012
	PROGRAM SERVICES	FUND RAISING	TOTAL	TOTAL
COMPENSATION AND BENEFITS	\$ 995,372.34	\$ 78,361.80	\$ 1,073,734.14	\$ 1,123,923.64
PRODUCTION EXPENSES	214,095.47	-	214,095.47	225,306.19
ADVERTISING AND MARKETING	174,519.61	-	174,519.61	163,676.30
OCCUPANCY	123,171.30	-	123,171.30	142,534.76
COST OF CONCESSION SALES	21,438.05	-	21,438.05	12,465.25
OFFICE EXPENSE	7,130.19	-	7,130.19	8,471.14
BANK AND CREDIT CARD FEES	36,369.10	-	36,369.10	38,472.33
REPAIRS AND MAINTENANCE	17,856.68	-	17,856.68	15,962.17
BOX OFFICE EXPENSE	9,744.44	-	9,744.44	11,864.97
DEPRECIATION	73,991.00	-	73,991.00	71,831.00
INSURANCE	9,390.85	-	9,390.85	8,618.34
INTEREST EXPENSE	453.54	-	453.54	2,714.19
DUES AND SUBSCRIPTIONS	4,205.50	-	4,205.50	7,870.34
PROFESSIONAL SERVICES	10,400.00	-	10,400.00	5,070.88
FUND RAISING EXPENSES	-	51,749.56	51,749.56	45,980.73
TELEPHONE	9,298.13	-	9,298.13	7,764.75
TAXES AND LICENSES	2,027.16	-	2,027.16	2,921.32
COMPUTER EXPENSE	6,825.13	-	6,825.13	5,715.86
OTHER, MISCELLANEOUS	7,008.51	-	7,008.51	31,268.36
GRAND TOTAL	\$ 1,723,297.00	\$ 130,111.36	\$ 1,853,408.36	\$ 1,930,432.52

SEE NOTES TO FINANCIAL STATEMENTS

**CYGNET THEATRE COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 1. Nature of Organization and Summary of Significant Accounting Policies**

**Nature of Organization:**

Cygnnet Theatre Company was incorporated in December 2002 under the laws of the State of California as a nonprofit public benefit corporation. Believing in the power of theatre to startle the soul, ignite, debate and embrace the diversity of the community in which it serves, the Company, is fearlessly committed to the dissection, examination and celebration of the human story through the medium of live theatre.

The Company promotes and produces live theatre performances in San Diego, California. In addition, the Company plans to establish a professional training program for local theatre artists who seek to improve their craft and skills in a professional environment under the mentorship of teachers recognized for their skills and experience. The Company's programs are funded by a combination of grants from governmental and private agencies, public donations and ticket sales.

A summary of the Company's significant accounting policies follows:

**Adoption of new accounting standards:**

In 2009 the FASB (Financial Accounting Standards Board) amended the current hierarchy of GAAP (generally accepted accounting principles) and identified the FASB ASC (Accounting Standards Codification) as the single source of GAAP recognized by the FASB. Although the FASB ASC did not change current GAAP, it superseded all existing standards applicable to the Company as of the effective date of the new standard. The Company has accordingly, adopted the FASB ASC.

**Method of accounting:**

The accompanying financial statements have been prepared in accordance with the accrual method of accounting.

**Subsequent events:**

The Company has evaluated subsequent events through August 24, 2013 which is the date the financial statements were first available to be issued.

#### Financial statement presentation:

The Company complies with the FASB ASC in respect to its financial position and activities. The Company reports information regarding its financial position and activities according to its three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The combined fund information for the year 2012 has been extracted from the audited financial statements for the year ended June 30, 2012.

#### Contributions:

The Company complies with FASB ASC as to its accounting for contributions. Contributions are defined as an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary non-reciprocal transfer. Other assets in this connection include use of facilities (or utilities), services and unconditional promises to give these items in the future. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Generally contributions received, including unconditional promises to give, are recognized as revenues in the period received at fair value. In situations where promises to give are conditioned on the Company incurring certain qualifying expenses such promises become unconditional when the expenses are incurred. Accordingly, these revenues and costs are recognized as costs are incurred.

The Company reports grants, contracts, and gifts of cash and other assets as temporarily restricted support if they are received with stipulations that limit the use of the assets. 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 as net assets released from restrictions. However, the Company follows a practice of recording as unrestricted income all contributions (grants) where restrictions lapse in the same fiscal year in which they are received.

#### Cash and cash equivalents:

For purposes of reporting cash, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### Property and equipment:

Property and equipment are recorded at cost for purchased assets and fair market value at the date of acquisition for donated assets. Property and equipment acquired with grant funds are considered to be owned by the granting agency and accordingly reflected as program expenditures and are not capitalized by the Company. Donations of assets are

recorded as unrestricted support unless the donor stipulates a specific period over which the asset must be used by the Company.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets.

#### Special Events:

For special fund raising events, which are significant and ongoing, revenues and expenses are reported gross.

#### Donated services:

The Company follows the practice of recording donated services only in instances where non-financial assets are thereby created or enhanced or where services are provided which require specialized skills, are provided by such skilled individuals and would typically need to be purchased. In addition, the Company's programs and fund raising activities have benefited from the significant amounts of time donated by other volunteers; however, no accounting recognition has been given to these additional donated services.

#### Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Fair value of financial instruments:

The recorded value of the Company's financial instruments approximates their fair values. Financial instruments include cash, accounts receivable and accounts payable.

#### Economic Concentrations:

The Company's operations are concentrated in San Diego County. Management is not aware of the existence of any severe or substantial cut backs pending due to the described concentrations of economic risk.

#### Note 2. Property and Equipment

Property and equipment are stated at cost and consists of the following:

Tenant improvements	\$ 451,839.09
Equipment	461,126.23
Less : accumulated depreciation	<u>(398,394.17)</u>
Net property and equipment	\$ <u>514,571.15</u>

### Note 3. Commitments and contingencies

The Company leases its office facility under a month to month rental agreement. The Company leases its rehearsal facility under a lease requiring monthly payments of \$ 2,400 through its expiration in July 2017. In addition, the Company has entered into a Concession Agreement with the State of California which requires percentage rentals of 3% on gross receipts against minimum annual rentals of \$ 40,000 through 2018. Total rental expense was \$ 94,189 for the year ended June 30, 2013.

The Company receives funding from government agencies which is restricted under the terms of the related funding agreements. Expenditures are charged against these restricted funds are subject to audit by the funding agencies. It is possible future audits will result in expenditure disallowances; however, based on their knowledge of the funding agencies and the fact that no material cost disallowances have occurred in the past, management believes that any such disallowances will not be material.

### Note 4. Notes Payable to Officers/Directors

At June 30, 2013 the Company is indebted to officers/directors in the amount of \$ 45,814.13 for cash advances to the Company. The notes are non-interest bearing and are due in full by June 30, 2014.

### Note 5. Pension Costs

The Company's employees are not covered by a Company sponsored pension plan.

### Note 6. Income Tax Status

No provision for income taxes has been provided in the financial statements as the Company has qualified for exemption from income taxes under Federal and State Revenue Codes. The Company is subject to income taxes on unrelated business income, if any. )

### Note 7. Supplementary information on Program Outputs (Measures of Performance)

The Company presents a year – long series of main stage productions that reflect a wide

diversity of material drawn from comedies to dramas, cutting edge work to classical musicals, and the season typically includes artistically challenging plays that are not often seen in the San Diego community.

For the year ended June 30, 2013 the Company produced

In addition, the Company produced x independent staged readings. Included in the readings were new plays as part of our playwright in process series.

Total attendance for the main-stage season was xxxxx.

#### Note 8 Temporarily Restricted and Permanently Restricted Net Assets

At June 30, 2013 the Company has no permanently restricted net assets. Temporarily restricted net assets of \$ 75,000 are earmarked for expenditures if fiscal 2014.

RONALD E. GRUND, C.P.A., INC.  
PO BOX 420163  
SAN DIEGO, CA 92142

INVOICE NO. 8242013

INVOICE DATE: 24-Aug-13

CYGNET THEATRE

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PROFESSIONAL FEES IN CONNECTION WITH  
AUDIT OF FINANCIAL STATEMENTS FOR THE  
YEAR 2013

FEE AS AGREED	\$ 5,000
LESS DEPOSIT PAID	<u>(3,000)</u>
BALANCE NOW DUE	<u>\$ 2,000</u>

THANK YOU FOR THE OPPORTUNITY TO SERVE YOU



RONALD E. GRUND, C.P.A., INC.

PLEASE MAKE ALL CHECKS PAYABLE TO RONALD E. GRUND

**RONALD E. GRUND, C.P.A., INC.**  
**P.O. BOX 420163**  
**SAN DIEGO, CA 92142**

August 24, 2013  
**CYGNET THEATRE**

**AUDITOR'S REPORT COMMUNICATION OF INTERNAL CONTROL  
MATTERS IDENTIFIED IN MY AUDIT – NO MATERIAL WEAKNESSES  
IDENTIFIED**

In planning and performing my audit of the financial statements of **Cygnnet Theatre** as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Company's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

This communication is intended solely for the management and use of management and the board of directors, and others within the entity and is not intended to be used by anyone other than these specified parties.

RONALD E. GRUND, C.P.A., INC.

home copy

## CYGNET THEATRE COMPANY

*NOTE PLS SIGN AND RETURN TO THE AUDITOR*

### REPRESENTATION LETTER

To : RONALD E. GRUND, C.P.A., INC.

We are providing this letter in connection with your audit of the statement of financial position as of June 30, 2013 and the statements of activities and cash flows for the year then ended of the Company for the purpose of expressing an opinion as to whether the financial statements referred to present fairly, in all material respects, the financial position, changes in net assets, and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are presented in conformity with generally accepted accounting principles.
2. We have made available to you all
  - a. Financial records and related data.
  - b. Minutes of the meetings of the board of trustees and committees of the board of trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
5. The following have been properly recorded or disclosed in the financial statements:
  - a. Related-party transactions and related receivables or payables, including sales, support, or other revenue, purchases, loans, transfers, leasing arrangements, and guarantees.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

- c. Guarantees, whether oral or written, under which the organization is contingently liable.
  - d. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6 (Disclosures of Certain Significant Risks and Uncertainties).
  - e. Agreements to repurchase assets previously sold.
6. There are no:
- a. Violations or possible violations of laws and regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. There are no unasserted claims or assessments that must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and we have not consulted with an attorney regarding unasserted claims or assessments. .
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
7. There has been no:
- a. Fraud involving management or employees who have significant roles in internal control (except as disclosed re payroll diversion of funds)
  - b. Fraud involving others that could have a material effect on the financial statements.
8. There are no material transactions that have not been properly recorded in the financial statements.
9. Provision, when material, has been made to reduce excess or obsolete inventories to their net realizable value.
10. The organization has satisfactory title to all owned assets, and there have been no liens or encumbrances on such assets nor has any asset been pledged.
11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
12. We acknowledge that:
- a. Management is responsible for Cygnet's compliance with laws and Regulations applicable to it
  - b. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
13. We believe that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. (NONE FOR THE YEAR 2013)
14. No events have occurred subsequent to the date of the statement of financial position that would require adjustment to, or disclosure in, the financial statements. The Company has evaluated subsequent events through August 24, 2013 which is the date the financial statements were first available to be issued.

Dated: AUGUST 24, 2013

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WILLIAM SCHMIDT,CEO

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BOARD TREASURER

*Pls sign + return*

CYGNET THEATRE COMPANY

**NOTE PLS SIGN AND RETURN TO THE AUDITOR**

REPRESENTATION LETTER

To : RONALD E. GRUND, C.P.A., INC.

We are providing this letter in connection with your audit of the statement of financial position as of June 30, 2013 and the statements of activities and cash flows for the year then ended of the Company for the purpose of expressing an opinion as to whether the financial statements referred to present fairly, in all material respects, the financial position, changes in net assets, and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are presented in conformity with generally accepted accounting principles.
2. We have made available to you all
  - a. Financial records and related data.
  - b. Minutes of the meetings of the board of trustees and committees of the board of trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
5. The following have been properly recorded or disclosed in the financial statements:
  - a. Related-party transactions and related receivables or payables, including sales, support, or other revenue, purchases, loans, transfers, leasing arrangements, and guarantees.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

- c. Guarantees, whether oral or written, under which the organization is contingently liable.
  - d. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6 (Disclosures of Certain Significant Risks and Uncertainties).
  - e. Agreements to repurchase assets previously sold.
6. There are no:
- a. Violations or possible violations of laws and regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. There are no unasserted claims or assessments that must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and we have not consulted with an attorney regarding unasserted claims or assessments. .
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
7. There has been no:
- a. Fraud involving management or employees who have significant roles in internal control (except as disclosed re payroll diversion of funds)
  - b. Fraud involving others that could have a material effect on the financial statements.
8. There are no material transactions that have not been properly recorded in the financial statements.
9. Provision, when material, has been made to reduce excess or obsolete inventories to their net realizable value.
10. The organization has satisfactory title to all owned assets, and there have been no liens or encumbrances on such assets nor has any asset been pledged.
11. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
12. We acknowledge that:
- a. Management is responsible for Cygnet's compliance with laws and Regulations applicable to it
  - b. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
13. We believe that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. (NONE FOR THE YEAR 2013)
14. No events have occurred subsequent to the date of the statement of financial position that would require adjustment to, or disclosure in, the financial statements. The Company has evaluated subsequent events through August 24, 2013 which is the date the financial statements were first available to be issued.

Dated: AUGUST 24, 2013

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WILLIAM SCHMIDT,CEO

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BOARD TREASURER