

**FOX CITIES PERFORMING ARTS
CENTER, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fox Cities Performing Arts Center, Inc.
Appleton, Wisconsin

We have audited the accompanying statement of financial position of Fox Cities Performing Arts Center, Inc. (the Center) (a not-for-profit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Center's June 30, 2009 financial statements and, in our report dated September 30, 2009; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fox Cities Performing Arts Center, Inc. as of June 30, 2010 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.

Certified Public Accountants

Appleton, Wisconsin
September 13, 2010



FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF FINANCIAL POSITION
 June 30, 2010
 With Comparative Totals as of June 30, 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 603,622	\$ 1,062,772
Accounts receivable	207,850	145,140
Inventory	26,390	21,169
Prepaid expenses	375,765	197,356
Contributions receivable	1,561,536	3,002,862
Room tax receivable	6,430,000	6,740,000
Investments	26,349,783	22,245,844
Investments designated for deferred compensation	77,613	59,751
Property and equipment, net	46,290,948	47,644,474
Capitalized bond fees, net of amortization of \$237,679 and \$210,486, respectively	<u>452,950</u>	<u>480,143</u>
Total assets	<u>\$ 82,376,457</u>	<u>\$ 81,599,511</u>
 LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable	\$ 46,524	\$ 109,703
Accrued:		
Payroll and payroll taxes	83,777	74,472
Interest	106,632	211,615
Other	168,142	195,403
Advance collections	346,925	453,655
Conditional transfers	197,500	190,000
Deferred compensation	77,613	59,751
Bonds payable	<u>43,130,000</u>	<u>43,440,000</u>
Total liabilities	<u>44,157,113</u>	<u>44,734,599</u>
<u>Net assets</u>		
Unrestricted net assets	29,099,706	27,968,069
Temporarily restricted net assets	<u>9,119,638</u>	<u>8,896,843</u>
Total net assets	<u>38,219,344</u>	<u>36,864,912</u>
Total liabilities and net assets	<u>\$ 82,376,457</u>	<u>\$ 81,599,511</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
<u>Support and operating revenue</u>				
Gross event revenue	\$ 7,515,192	\$ -	\$ 7,515,192	\$ 11,078,355
Less agent event revenue	<u>(5,858,763)</u>	<u>-</u>	<u>(5,858,763)</u>	<u>(8,672,802)</u>
Net event revenue	1,656,429	-	1,656,429	2,405,553
Fees earned from agent sales	532,708	-	532,708	519,653
Contributions	1,916,420	864,752	2,781,172	4,784,886
Special fundraising event	-	-	-	664,684
Return on beneficial interest in Community Foundation	-	-	-	(1,174,344)
Investment income	3,770,764	-	3,770,764	-
Other income	6,577	-	6,577	9,681
Net assets released from restriction	<u>641,957</u>	<u>(641,957)</u>	<u>-</u>	<u>-</u>
Total support and operating revenue	<u>8,524,855</u>	<u>222,795</u>	<u>8,747,650</u>	<u>7,210,113</u>
<u>Expenses</u>				
Gross event costs	7,913,777	-	7,913,777	11,118,105
Less agent event costs	<u>(5,326,055)</u>	<u>-</u>	<u>(5,326,055)</u>	<u>(8,153,149)</u>
Net event costs	2,587,722	-	2,587,722	2,964,956
Bond interest expense	640,695	-	640,695	1,677,972
Letter of credit fees	534,044	-	534,044	301,224
Bond trustee and other bond fees	63,311	-	63,311	45,007
Depreciation and amortization	1,519,303	-	1,519,303	1,562,782
Administrative expenses	1,466,795	-	1,466,795	1,581,444
Costs of direct benefits to donors	-	-	-	438,361
Fundraising	<u>581,348</u>	<u>-</u>	<u>581,348</u>	<u>507,771</u>
Total expenses	<u>7,393,218</u>	<u>-</u>	<u>7,393,218</u>	<u>9,079,517</u>
Change in net assets	1,131,637	222,795	1,354,432	(1,869,404)
Net assets:				
Beginning of year	<u>27,968,069</u>	<u>8,896,843</u>	<u>36,864,912</u>	<u>38,734,316</u>
End of year	<u>\$ 29,099,706</u>	<u>\$ 9,119,638</u>	<u>\$ 38,219,344</u>	<u>\$ 36,864,912</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	<u>2010</u>	<u>2009</u>
<u>Operating activities</u>		
Change in net assets	\$ 1,354,432	\$ (1,869,404)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,519,303	1,562,782
Net realized and unrealized gains on investments	(2,572,195)	-
Return on beneficial interest in Community Foundation	-	1,174,344
Contributions of stock	(35,174)	(5,968)
Change in present value discount on contributions receivable	(42,000)	(121,000)
Loss on disposal of property and equipment	1,387	7,086
Decrease (increase) in:		
Accounts receivable	(62,710)	(60,701)
Inventory	(5,221)	(690)
Prepaid expenses	(178,409)	20,618
Contributions receivable	1,483,326	505,191
Increase (decrease) in:		
Accounts payable	(63,179)	65,096
Accrued liabilities	(122,939)	159,026
Advance collections	(106,730)	(243,857)
Conditional transfers	<u>7,500</u>	<u>30,000</u>
Net cash provided by operating activities	<u>1,177,391</u>	<u>1,222,523</u>
<u>Investing activities</u>		
Purchase of property and equipment	(139,971)	(112,962)
Purchases of investments	(7,782,549)	-
Proceeds from sales of investments	6,285,979	-
Additions to beneficial interest in Community Foundation	-	(2,839,494)
Withdrawals from beneficial interest in Community Foundation	<u>-</u>	<u>2,050,000</u>
Net cash used for investing activities	<u>(1,636,541)</u>	<u>(902,456)</u>
<u>Financing activities</u>		
Payments of bond obligations	(310,000)	(285,000)
Collection of room tax receivable	<u>310,000</u>	<u>285,000</u>
Net cash used for financing activities	<u>-</u>	<u>-</u>
<u>Cash and cash equivalents</u>		
Net increase (decrease)	(459,150)	320,067
Beginning of year	<u>1,062,772</u>	<u>742,705</u>
End of year	<u>\$ 603,622</u>	<u>\$ 1,062,772</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2010

With Comparative Totals for the Year Ended June 30, 2009

	<u>2010</u>	<u>2009</u>
<u>Supplemental cash flow information</u>		
Cash paid for interest	\$ 745,678	\$ 1,618,564
<u>Non-cash investing and financing activities</u>		
Stock contributions	\$ 35,174	\$ 5,968
Transfer of funds from beneficial interest in assets held by Community Foundation to investments	\$ -	\$ 22,245,844

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

Fox Cities Performing Arts Center, Inc. (the Center) is a Wisconsin non-stock, tax-exempt corporation formed to own and operate a not-for-profit performing arts center in Appleton, Wisconsin. The mission of the Center is to serve as a gathering place for the community to engage in educational opportunities and enhance understanding and enjoyment of life through the creation and presentation of the arts. The Center accomplishes this mission by providing a premier venue for performing arts attractions and a dynamic environment for community arts organizations. The Center's support comes primarily from admissions and contributions. During the year ended June 30, 2009, approximately 57% of the Center's contributions were from one donor.

B. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

C. Basis of accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

D. Basis of presentation

The Center is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations.

Permanently restricted net assets - net assets that result from contributions whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Center.

The Center had only unrestricted and temporarily restricted net assets as of June 30, 2010 and 2009.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2010

Note 1 - Nature of activities and significant accounting policies, continued

E. Cash and cash equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments with an initial maturity of three months or less, except those held by investment managers, to be cash equivalents.

F. Accounts receivable

Accounts receivable are stated at the amount the Center expects to collect from outstanding balances. Based upon the Center's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year end will be immaterial.

G. Inventory

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market.

H. Contributions receivable

Unconditional promises to give are recognized as revenue and as assets in the period the promise is received. Those intended to support the current period are reported as unrestricted net assets if they do not contain donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Intentions to give are not recognized as revenue unless they are legally enforceable.

I. Investments

The Center carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis for measurement. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

J. Property and equipment and depreciation

All acquisitions and improvements of property and equipment in excess of \$800 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2010

Note 1 - Nature of activities and significant accounting policies, continued

K. Capitalized bond fees

Bond issue costs of \$349,184 and \$341,445 are being amortized using the straight-line method over the respective lives of the bonds (34.5 years and 20 years, respectively). Amortization expense was \$27,194 for the year ended June 30, 2010. Amortization expense for the years ended June 30, 2011 through 2015 will be \$27,194 per year.

L. Advance collections

Ticket sales and rental income received in advance for upcoming events are recorded as liabilities. If the event is an event of the Center, the collections will be recognized as revenue in the period that the event occurs.

M. Conditional transfers

Sponsorship payments for future events that are conditional on the event occurring and have a right of return are recognized as contributions when the condition is substantially met.

N. Fees earned from agent revenue

The Center holds many events at its facility each year. Tickets sold for live theatrical performances fall into two categories. In the first category, the Center acts as the principal in the transaction. These performances are presented and their presentation is controlled by the Center. In the second category, the Center acts as the agent for the transaction. With these performances, the Center usually receives a fixed usage fee and in some cases the Center also shares in the potential profit or loss of the event. As an agent, the Center provides the facility and essential support staff, but is not responsible for presenting the event, does not establish the ticket prices, and has limited or no credit risk in relation to the tickets. When the Center acts as the agent, the revenue and related event costs are removed from gross event revenue and gross event costs, respectively. Only the net fees earned by the Center from the event are reported as fees earned from agent sales in the statement of activities.

O. Contributions

Unconditional contributions are recognized as revenue when they are promised or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. 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 and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Center.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2010

Note 1 - Nature of activities and significant accounting policies, continued

P. Advertising

The Center uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the year ended June 30, 2010, advertising costs totaled approximately \$202,000.

Q. Presentation of sales tax

The Organization collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and expenses.

R. Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in Note 9. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

S. Summarized information

The financial statements include certain 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 in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

T. Income tax status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center 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)(1). The Center is also exempt from Wisconsin income taxes.

Effective July 1, 2009, the Center has adopted the guidance for accounting for uncertainties in income taxes which is part of Accounting Standards Codification (ASC) 740-10. This guidance increases the relevancy and comparability of financial reporting by clarifying the way organizations account for uncertainties in income taxes for tax positions taken or expected to be taken. It makes recognition and measurement more consistent as well as offering clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes. This adoption had no impact on the Center's financial condition, results of operations or cash flows.

FOX CITIES PERFORMING ARTS CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2010

Note 1 - Nature of activities and significant accounting policies, continued

U. Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 13, 2010, the date on which the financial statements were available to be issued.

Note 2 - Concentration of credit risk

The Center maintains its bank accounts at one financial institution in the Appleton area. Aggregate deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Center's cash deposits exceed these federally insured limits at times during the year. The Center has not experienced any losses on these accounts. The management believes the Center is not exposed to any significant credit risk on cash.

Note 3 - Contributions receivable

Contributions receivable are primarily due from individuals and corporations located in the Fox Valley region. Contributions receivable are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 324,899	\$ 2,180,239
Receivable in one to five years	1,108,637	951,623
Receivable in greater than five years	<u>270,000</u>	<u>55,000</u>
Total unconditional promises to give	1,703,536	3,186,862
Less discount at a rate of 2% to 5%	<u>(142,000)</u>	<u>(184,000)</u>
Present value of contributions receivable	<u>\$ 1,561,536</u>	<u>\$ 3,002,862</u>

The Center considers all of the contributions receivable to be fully collectible; accordingly, no allowance for uncollectible contributions receivable has been established.

At June 30, 2010, the Center also had conditional promises to give of \$525,000 for the sponsorship of future performances. The promises to give are conditional on the performance occurring and will be included in the financial statements in future years when the performances occur.

FOX CITIES PERFORMING ARTS CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2010

Note 4 - Endowment

The Center has established a board-designated quasi-endowment fund which is not donor-restricted. The endowment fund is classified and reported as unrestricted net assets and is included in investments on the statement of financial position. The fund is named "Fox Cities Performing Arts Center Future Fund" (Future Fund). Distributions will be made upon the recommendation of the Board of Directors to support the operations of the Center. The Center's investment objective is to maximize total return consistent with an acceptable level of risk. The endowment assets are invested in limited maturity bond funds.

Composition of and changes in the Future Fund net assets for the year ended June 30, 2010 were as follows:

Board-designated Future Fund net assets, beginning of year	\$ 1,890,715
Contributions	2,754,440
Investment income, net of fees	43,980
Net appreciation (depreciation)	23,922
Amount appropriated for expenditure	<u>(968,486)</u>
 Board-designated Future Fund net assets, end of year	 <u>\$ 3,744,571</u>

Note 5 - Investments

Investments consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Money market fund	\$ 1,400	\$ 3,531,383
Bond funds	<u>26,348,383</u>	<u>18,714,461</u>
	<u>\$ 26,349,783</u>	<u>\$ 22,245,844</u>

Investment income for the year ended June 30, 2010 consists of the following:

Net realized and unrealized gains	\$ 2,572,195
Interest and dividends	1,204,425
Investment fees	<u>(5,856)</u>
	<u>\$ 3,770,764</u>

FOX CITIES PERFORMING ARTS CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2010

Note 6 - Property and equipment

Property and equipment consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 1,347,080	\$ 1,342,718
Building	54,192,396	54,163,242
Capitalized bond interest	748,859	748,859
Operating equipment	1,656,295	1,582,259
Office equipment	177,354	171,421
Software	<u>61,648</u>	<u>65,429</u>
	58,183,632	58,073,928
Less accumulated depreciation	<u>(11,892,684)</u>	<u>(10,429,454)</u>
	<u>\$ 46,290,948</u>	<u>\$ 47,644,474</u>

Depreciation and amortization expense on the above assets was \$1,492,110 for the year ended June 30, 2010.

Note 7 - Bonds payable

Bonds payable at June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
City of Appleton, Wisconsin Redevelopment Revenue Bonds (1)	\$ 36,700,000	\$ 36,700,000
City of Appleton, Wisconsin Redevelopment Revenue Bonds (2)	<u>6,430,000</u>	<u>6,740,000</u>
Total bonds payable	<u>\$ 43,130,000</u>	<u>\$ 43,440,000</u>

- (1) The City of Appleton, Wisconsin Adjustable Rate Demand Redevelopment Revenue Bonds, Series 2001B mature on June 1, 2036. Interest is due monthly and initially will be at a variable rate (.25% at June 30, 2010). The loan agreement contains the option to convert the bonds to a fixed rate. The bonds are secured by the mortgaged property of the Center and a letter of credit totaling \$37,056,806, which expires on December 18, 2012. The loan agreement contains various covenants. The Center was in compliance with these covenants at June 30, 2010.

FOX CITIES PERFORMING ARTS CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2010

Note 7 - Bonds payable, continued

- (2) The City of Appleton, Wisconsin Fixed Rate Redevelopment Revenue Bonds, Series 2001A mature in various amounts on September 1 of each year beginning in 2002 through September 1, 2021. Interest is due semi-annually and is at a fixed rate of 4.00% to 4.95% depending on the maturity date of the bonds. The bonds are secured by a pledge of room taxes (see Note 11) and a letter of credit in the amount equal to the principal and a maximum of 195 days of interest due on the bonds. The letter of credit expires September 15, 2011. The loan agreement contains various covenants. The Center was in compliance with these covenants at June 30, 2010.

Maturities of bonds payable for each of the five years succeeding June 30, 2010 are as follows:

Year Ending <u>June 30,</u>	
2011	335,000
2012	365,000
2013	395,000
2014	425,000
2015	460,000

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Purpose restrictions:		
Land (see Note 10)	\$ 1,303,748	\$ 1,303,748
Time restrictions:		
Contributions receivable	1,385,890	853,095
Room tax receivable (see Note 11)	<u>6,430,000</u>	<u>6,740,000</u>
 Total	 <u>\$ 9,119,638</u>	 <u>\$ 8,896,843</u>

FOX CITIES PERFORMING ARTS CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2010

Note 9 - Functional classification of expenses

Expenses by function for the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Program services	\$ 5,448,443	\$ 6,671,143
Supporting activities:		
Management and general	1,289,274	1,824,083
Fundraising	<u>655,501</u>	<u>584,291</u>
	<u>\$ 7,393,218</u>	<u>\$ 9,079,517</u>

Note 10 - Development agreement

The land owned by the Center was originally contributed to the Center by the City of Appleton and the Appleton Redevelopment Authority as part of a development agreement. The contributed land contains a restriction that it must be used for a performing arts center until November 2032. If the Center sells the land or any part of the land to a third party for use other than as a performing arts center, the Center must reimburse the City for the then fair market value of the land sold.

Note 11 - Cooperation agreement

In June 2000, the Center entered into a Cooperation Agreement with the Appleton Redevelopment Authority (ARA); the Fox Cities Area Room Tax Commission; the Cities of Appleton, Kaukauna, and Neenah; the Villages of Kimberly and Little Chute; and the Towns of Menasha, Neenah, and Grand Chute. Under the agreement, the ARA issued \$8.3 million in fixed interest rate bonds with the proceeds going to the Center for the construction of the performing arts center. The Municipalities will collect a two percent room tax and have pledged this tax to pay the debt service of the bonds. Other communities currently without hotels or motels including, the City of Menasha; the Village of Combined Locks; and the Towns of Buchanan, Freedom, Greenville, and Vandebroek have also agreed to collect the tax if a hotel or motel is built in their community. The Center has recorded a net room tax receivable equal to the principal balance of the series 2001A bonds. The receivable has been discounted at an amount equal to the pledged interest and letter of credit fees payments.

The City of Appleton has also agreed to collect an additional one percent room tax with the intention to give the proceeds to the Center for operation and maintenance expenditures that are not covered by other revenues. The Center received \$84,826 from the City of Appleton during the year ended June 30, 2010 from the additional one percent room tax which is recorded as contributions in the statement of activities.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2010

Note 12 - Retirement plan

The Center has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers substantially all employees of the Center. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

Note 13 - Deferred compensation and investments designated for deferred compensation

The Center has a deferred compensation arrangement with a key employee whereby a discretionary amount determined by the board of directors is deferred each year. The deferred compensation, plus earnings thereon, is fully payable upon death, disability or retirement of the employee. Deferred compensation expense totaled \$31,263 for the year ended June 30, 2010.

The Center has established various investment funds in which to accumulate assets to fund the future deferred compensation payments. The Center invests amounts equal to the deferred compensation expense on an annual basis. These investment funds are part of the general assets of the Center and the employee does not have a secured interest in them. However, since it is the Center's intention to use these investments only to fund future deferred compensation payments, they are presented as "Investments designated for deferred compensation" on the statement of financial position. These investments are stated at fair value. Realized and unrealized gains and losses are not separately presented in the statement of activities since such gains and losses accrue to the benefit of the employee.

Investments designated for deferred compensation consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ -	\$ 1,580
Bond funds	1,769	1,610
Annuities	1,586	-
Stock funds	<u>74,258</u>	<u>56,561</u>
	<u>\$ 77,613</u>	<u>\$ 59,751</u>

Note 14 - Fair value measurements

Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements and Disclosures* clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements in financial statements. ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Center's market assumptions.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2010

Note 14 - Fair value measurements, continued

The fair value hierarchy specified by ASC 820 is as follows:

- Level 1 - Quoted prices in active markets for identical assets and liabilities.
- Level 2 - Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of the investments described in Notes 5 and 13 are based on quoted market prices of the securities at June 30, 2010.

The following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2010 and 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2010</u>				
Money market funds	\$ 1,400	\$ -	\$ -	\$ 1,400
Bond funds:				
Limited Maturity	3,744,571	-	-	3,744,571
Core	20,215,712	-	-	20,215,712
High Yield	2,389,869	-	-	2,389,869
Guaranteed annuity	1,586	-	-	1,586
Stock funds:				
Large Blend	<u>74,258</u>	<u>-</u>	<u>-</u>	<u>74,258</u>
	<u>\$26,427,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,427,396</u>
<u>2009</u>				
Money market funds	\$ 3,532,963	\$ -	\$ -	\$ 3,532,963
Bond funds:				
Core	16,706,066	-	-	16,706,066
High Yield	2,010,005	-	-	2,010,005
Stock funds:				
Large Blend	<u>56,561</u>	<u>-</u>	<u>-</u>	<u>56,561</u>
	<u>\$22,305,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$22,305,595</u>