

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

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Fox Cities Performing Arts Center, Inc. (the Center) (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Center'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 Center'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 Fox Cities Performing Arts Center, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Fox Cities Performing Arts Center, Inc.'s financial statements as of and for the year ended June 30, 2015, and our report dated October 20, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Appleton, Wisconsin  
October 18, 2016

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Summarized Financial Information as of June 30, 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash	\$ 1,198,128	\$ 1,317,310
Accounts receivable	123,038	89,453
Inventory	32,212	43,615
Prepaid expenses	235,821	201,068
Contributions receivable	2,839,178	3,788,350
Investments	39,191,125	37,926,831
Investments designated for deferred compensation	252,297	259,759
Cash surrender value of life insurance	234,496	213,253
Property and equipment, net	38,327,208	39,703,490
Capitalized bond fees, net of amortization of \$147,602 and \$137,481, respectively	<u>201,582</u>	<u>211,703</u>
Total assets	<u>\$ 82,635,085</u>	<u>\$ 83,754,832</u>
 LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable	\$ 224,905	\$ 76,800
Accrued:		
Payroll and payroll taxes	101,593	104,304
Interest	12,504	2,433
Other	125,186	165,589
Advance collections	692,302	677,118
Conditional transfers	280,000	240,000
Deferred compensation	252,297	259,759
Bonds payable	<u>36,700,000</u>	<u>36,700,000</u>
Total liabilities	<u>38,388,787</u>	<u>38,226,003</u>
<u>Net assets</u>		
Unrestricted net assets	40,368,470	40,559,992
Temporarily restricted net assets	<u>3,877,828</u>	<u>4,968,837</u>
Total net assets	<u>44,246,298</u>	<u>45,528,829</u>
Total liabilities and net assets	<u>\$ 82,635,085</u>	<u>\$ 83,754,832</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Summarized Financial Information for the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
<u>Operating revenue</u>				
Gross event revenue	\$ 9,737,163	\$ -	\$ 9,737,163	\$ 10,266,312
Less agent event revenue	<u>(7,430,095)</u>	<u>-</u>	<u>(7,430,095)</u>	<u>(7,992,601)</u>
Net event revenue	2,307,068	-	2,307,068	2,273,711
Fees earned from agent sales	<u>882,879</u>	<u>-</u>	<u>882,879</u>	<u>893,431</u>
Total operating revenue	<u>3,189,947</u>	<u>-</u>	<u>3,189,947</u>	<u>3,167,142</u>
<u>Operating expenses</u>				
Gross event costs	9,675,533	-	9,675,533	10,435,982
Less agent event costs	<u>(6,547,216)</u>	<u>-</u>	<u>(6,547,216)</u>	<u>(7,099,170)</u>
Net event costs	3,128,317	-	3,128,317	3,336,812
Depreciation and amortization	1,555,117	-	1,555,117	1,557,455
Administrative	<u>1,891,545</u>	<u>-</u>	<u>1,891,545</u>	<u>1,965,725</u>
Total operating expenses	<u>6,574,979</u>	<u>-</u>	<u>6,574,979</u>	<u>6,859,992</u>
Results from operations	<u>(3,385,032)</u>	<u>-</u>	<u>(3,385,032)</u>	<u>(3,692,850)</u>
<u>Support and other income</u>				
Contributions	1,823,175	161,667	1,984,842	3,104,356
Investment income	828,601	-	828,601	522,598
Other income	607	-	607	960
Net assets released from restriction	<u>1,252,676</u>	<u>(1,252,676)</u>	<u>-</u>	<u>-</u>
Total support and other income	<u>3,905,059</u>	<u>(1,091,009)</u>	<u>2,814,050</u>	<u>3,627,914</u>
<u>Other expenses</u>				
Bond financing	378,265	-	378,265	348,857
Advancement	<u>333,284</u>	<u>-</u>	<u>333,284</u>	<u>326,089</u>
Total other expenses	<u>711,549</u>	<u>-</u>	<u>711,549</u>	<u>674,946</u>
Net non-operating income	<u>3,193,510</u>	<u>(1,091,009)</u>	<u>2,102,501</u>	<u>2,952,968</u>
Change in net assets	(191,522)	(1,091,009)	(1,282,531)	(739,882)
Net assets:				
Beginning of year	<u>40,559,992</u>	<u>4,968,837</u>	<u>45,528,829</u>	<u>46,268,711</u>
End of year	<u>\$ 40,368,470</u>	<u>\$ 3,877,828</u>	<u>\$ 44,246,298</u>	<u>\$ 45,528,829</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

With Summarized Comparative Information for the Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
<u>Operating activities</u>		
Change in net assets	\$ (1,282,531)	\$ (739,882)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,555,117	1,557,455
Contributions for long term purposes	(154,163)	(1,286,283)
Net realized and unrealized losses on investments	829,983	928,352
Gain on cash surrender value of life insurance	(4,923)	(22,626)
Change in present value discount on contributions receivable	(59,000)	(16,000)
Loss on disposal of property and equipment	840	4,412
Decrease (increase) in:		
Accounts receivable	(33,585)	133,592
Inventory	11,403	(2,335)
Prepaid expenses	(34,753)	78,910
Contributions receivable	(82,977)	177,338
Increase (decrease) in:		
Accounts payable	148,105	(133,643)
Accrued liabilities	(33,043)	(104,203)
Advance collections	15,184	(9,782)
Conditional transfers	<u>40,000</u>	<u>(54,500)</u>
Net cash provided by operating activities	<u>915,657</u>	<u>510,805</u>
<u>Investing activities</u>		
Purchase of property and equipment	(169,554)	(65,209)
Collection of contributions for long term purposes	1,245,312	2,681,620
Purchases of investments	(3,062,991)	(4,114,347)
Purchase of life insurance contract	(16,320)	(21,143)
Proceeds from sales of investments	<u>968,714</u>	<u>589,921</u>
Net cash used for investing activities	<u>(1,034,839)</u>	<u>(929,158)</u>
<u>Cash</u>		
Net decrease	(119,182)	(418,353)
Beginning of year	<u>1,317,310</u>	<u>1,735,663</u>
End of year	<u>\$ 1,198,128</u>	<u>\$ 1,317,310</u>
<u>Supplemental cash flow information</u>		
Cash paid for bond financing expenses	\$ 368,194	\$ 348,254

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 organization 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.

B. 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.

C. Basis of presentation

The Center is required to report information regarding its financial position 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 no permanently restricted net assets as of June 30, 2016 and 2015.

D. 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.

E. 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.



FOX CITIES PERFORMING ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

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

F. Inventory

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

G. 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.

H. 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.

I. Cash surrender value of life insurance

The Center is the owner and beneficiary of several life insurance policies. The insurance policies are recorded at their net cash surrender value, as reported by the issuing insurance company. The change in the value of the cash surrender value is included in investment income in the statement of activities.

J. Property and equipment and depreciation

All acquisitions and improvements of property and equipment in excess of \$5,000 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.

K. Capitalized bond fees

Bond issue costs of \$349,184 are being amortized using the straight-line method over the life of the bonds (34.5 years). Amortization expense was \$10,121 for the year ended June 30, 2016. Amortization expense for the years ending June 30, 2017 through 2021 will be \$10,121 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. Any costs incurred related to these upcoming events are included in prepaid expenses until the event occurs.

FOX CITIES PERFORMING ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

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

M. Conditional transfers

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

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. Volunteers provided services to the Center throughout the year that have not been recognized as contributions in the financial statements because the recognition criteria were not met. The Center has approximately 466 volunteers that contributed approximately 24,800 hours during the year ended June 30, 2016.

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, 2016, advertising costs totaled approximately \$221,900.

Q. Presentation of sales tax

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

FOX CITIES PERFORMING ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

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

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. Income tax status

The Center 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 Center's tax-exempt purpose is subject to taxation as unrelated business income. The Center had no unrelated business taxable income for the year ended June 30, 2016. 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.

T. Summarized financial information

The financial statements include certain prior-year summarized 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, 2015, from which the summarized information was derived.

U. Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 18, 2016, 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. Management believes the Center is not exposed to any significant credit risk on cash.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

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>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 779,510	\$ 1,128,549
Receivable in one to five years	1,793,143	2,323,323
Receivable in greater than five years	<u>394,525</u>	<u>523,478</u>
Total unconditional promises to give	2,967,178	3,975,350
Less discount at a rate of 2% to 5%	<u>(128,000)</u>	<u>(187,000)</u>
Present value of contributions receivable	<u>\$ 2,839,178</u>	<u>\$ 3,788,350</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, 2016, the Center also had conditional promises to give of approximately \$945,000 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. The Center also had conditional promises to give of approximately \$48,000 that are conditional on raising matching gifts by June 30, 2016 and other conditions.

Note 4 - Endowment funds

The Center has established two board-designated quasi-endowment funds which are not donor-restricted. The endowment funds are classified and reported as unrestricted net assets and are included in investments on the statement of financial position. The first fund is named "Fox Cities Performing Arts Center's Keystone Campaign - Operations 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.

Composition of and changes in the Keystone Operations Fund net assets for the year ended June 30, 2016 were as follows:

Board-designated Keystone Operations Fund net assets, beginning of year	\$ 4,189,686
Contributions	822,500
Investment income, net of fees	145,960
Net depreciation	(87,615)
Amount appropriated for expenditure	<u>(402,781)</u>
Board-designated Keystone Operating Fund net assets, end of year	<u>\$ 4,667,750</u>

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

Note 4 - Endowment funds, continued

The second fund is named "Fox Cities Performing Arts Center's Keystone Campaign - Endowment Fund". Distributions will be made according to the spending policy that will be determined annually by the Board of Directors to support the operations of the Center. The spending policy is expected to be 5% of the average balance of the fund. The Center's investment objective is preservation of principal to allow distribution of income for designated uses.

Composition of and changes in the Keystone Endowment Fund net assets for the year ended June 30, 2016 were as follows:

Board-designated Keystone Endowment Fund net assets, beginning of year	\$ 6,652,060
Contributions	583,795
Investment income, net of fees	423,749
Net depreciation	(382,425)
Amount appropriated for expenditure	<u>(206,167)</u>
Board-designated Keystone Endowment Fund net assets, end of year	<u>\$ 7,071,012</u>

Note 5 - Investments

Investments consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mutual funds	<u>\$ 39,191,125</u>	<u>\$ 37,926,831</u>

Investment income for the year ended June 30, 2016 consists of the following:

Net realized and unrealized losses	\$ (829,983)
Interest and dividends	1,928,581
Investment fees	(274,920)
Gain on cash surrender value of life insurance	<u>4,923</u>
	<u>\$ 828,601</u>

FOX CITIES PERFORMING ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

Note 6 - Property and equipment

Property and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 1,351,773	\$ 1,351,773
Building	55,049,287	54,962,087
Operating equipment	2,324,613	2,270,937
Office equipment	215,629	228,588
Software	<u>67,511</u>	<u>67,511</u>
	59,008,813	58,880,896
Less accumulated depreciation	<u>(20,681,605)</u>	<u>(19,177,406)</u>
	<u>\$ 38,327,208</u>	<u>\$ 39,703,490</u>

Depreciation and amortization expense on the above assets was \$1,544,996 for the year ended June 30, 2016.

Note 7 - Bonds payable

The bonds payable at June 30, 2016 and 2015 consists of \$36,700,000 of City of Appleton, Wisconsin Adjustable Rate Demand Redevelopment Revenue Bonds, Series 2001B which mature on June 1, 2036. Interest is due monthly and initially will be at a variable rate (0.46% at June 30, 2016). 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, 2017. The loan agreement contains various covenants. Management believes that the Center was in compliance with these covenants at June 30, 2016.

Bond financing expenses for the year ended June 30, 2016 consist of the following:

Bond interest expense	\$ 46,977	
Letter of credit fees	282,204	
Bond trustee and other bond fees	<u>49,084</u>	
	<u>\$ 378,265</u>	

FOX CITIES PERFORMING ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Purpose restrictions:		
Land (see Note 10)	\$ 1,303,748	\$ 1,303,748
Time restrictions:		
Contributions receivable	2,569,080	3,652,089
Contributions received for future periods	<u>5,000</u>	<u>13,000</u>
Total	<u>\$ 3,877,828</u>	<u>\$ 4,968,837</u>

Note 9 - Functional classification of expenses

Expenses by function for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 5,484,831	\$ 5,608,363
Supporting activities:		
Management and general	1,311,854	1,465,043
Fundraising	<u>489,843</u>	<u>461,532</u>
	<u>\$ 7,286,528</u>	<u>\$ 7,534,938</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 - Multiple-employer defined contribution retirement plan

The Organization has a co-employment agreement with QTI Human Resources, Inc. The Organization participates in the QTI Human Resources, Inc. 401(k) Profit Sharing Plan, which is a multi-employer, defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all the Center's employees with at least one year of service and 1,000 hours during the plan year. The plan provides for a matching contribution by the Center equal to 100% of the employee's contribution up to 3% of the employee's compensation. For the year ended June 30, 2016, the Center contributed approximately \$28,000 to the plan.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

Note 12 - Deferred compensation and investments designated for deferred compensation

The Center has a deferred compensation arrangement with a former 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 separation of service of the employee. Deferred compensation expense totaled \$-0- for the year ended June 30, 2016.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Bond funds	\$ 2,208	\$ 2,089
Annuities	1,900	1,843
Stock funds	<u>248,189</u>	<u>255,827</u>
	<u>\$ 252,297</u>	<u>\$ 259,759</u>

Note 13 - 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.

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 12 are based on quoted market prices of the securities at June 30, 2016.



FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

Note 13 - Fair value measurements, continued

The following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2016</u>				
Mutual funds:				
Limited Maturity	\$ 1,879,654	\$ -	\$ -	\$ 1,879,654
Opportunity	27,454,571	-	-	27,454,571
Diverse	2,788,096	-	-	2,788,096
Moderate	7,071,012	-	-	7,071,012
Guaranteed annuity	1,900	-	-	1,900
Stock funds:				
Large Blend	<u>248,189</u>	<u>-</u>	<u>-</u>	<u>248,189</u>
	<u>\$ 39,443,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,443,422</u>
 <u>2015</u>				
Mutual funds:				
Limited Maturity	\$ 1,430,312	\$ -	\$ -	\$ 1,430,312
Opportunity	27,087,173	-	-	27,087,173
Diverse	2,759,374	-	-	2,759,374
Moderate	6,652,061	-	-	6,652,061
Guaranteed annuity	1,843	-	-	1,843
Stock funds:				
Large Blend	<u>255,827</u>	<u>-</u>	<u>-</u>	<u>255,827</u>
	<u>\$ 38,186,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,186,590</u>

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 14 - Related party transactions

The Center receives contributions from management, members of its Board of Directors, and corporations owned by members of its Board of Directors. During the year ended June 30, 2016, these related parties contributed approximately \$88,000 to the Center. Discounted contributions receivable from these related parties are approximately \$110,000 and \$128,000 at June 30, 2016 and 2015, respectively.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2016

Note 15 - Commitment

The Center has a presentation agreement with another entity to act as an agent (see Note 1N) in presenting Broadway-type attractions at the Center through June 30, 2024. If the Center terminates this agreement before June 30, 2024, without good cause, the Center would owe this entity \$25,000 for each fiscal year remaining in the term of the agreement. The Center does not plan to terminate this agreement before June 30, 2024.

Note 16 - Multi-employer pension plan

The Center contributes to one multi-employer union retirement plan under a collective bargaining agreement which provides retirement benefits for certain union-represented employees. The Center's collective bargaining agreement does not require a minimum contribution be made to the plan. The risks of participating in this multi-employer plan is different from a single-employer plan in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Center chooses to stop participating in the multi-employer plan, the Center may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Center currently has no intention of withdrawing from the multi-employer pension plan in which it participates.

The table below contains a summary of the most recently available plan information relating to the Center's participation in the multi-employer pension plan, including the Center's contributions. The plan year end is December 31, 2015. The Center's contributions are for the plan year. The Center's contributions are not more than 5% of total plan contributions for the plan year.

Fund Name	Employer Identification Number	Pension Protection Act ("PPA") Certified	FIP/RP Status <sup>2</sup>	Contributions	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		Zone Status <sup>1</sup>		2015		
I.A.T.S.E (International Alliance of Theatrical Stage Employees) National Pension Fund	13-1849172/ 001	Green	N/A	\$ 6,078	N/A	6/30/2019

<sup>1</sup>The most recent PPA zone status available based on information received from the plan. Plans in the green zone are at least 80% funded.

<sup>2</sup>Indicates plans for which a financial improve plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.