

FOX CITIES PERFORMING ARTS CENTER, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019

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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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1T to the financial statements, management has adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Other Matter

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated October 15, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Appleton, Wisconsin
October 15, 2019

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF FINANCIAL POSITION
 June 30, 2019
 With Financial Information as of June 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 744,656	\$ 1,306,082
Accounts receivable	256,035	269,250
Inventory	48,089	38,107
Prepaid expenses	185,126	251,200
Contributions receivable	3,103,407	1,955,495
Investments	45,089,439	42,444,407
Investments designated for deferred compensation	319,547	307,230
Cash surrender value of life insurance	299,474	250,972
Property and equipment, net	<u>34,307,517</u>	<u>35,647,898</u>
 Total assets	 <u>\$ 84,353,290</u>	 <u>\$ 82,470,641</u>
 LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable	\$ 74,308	\$ 227,587
Accrued:		
Payroll and payroll taxes	49,867	89,900
Interest and fees	189,834	41,516
Other	215,880	204,892
Advance collections	796,262	984,326
Conditional transfers	-	162,250
Deferred compensation	319,547	307,230
Bonds payable	<u>36,521,322</u>	<u>36,510,760</u>
 Total liabilities	 <u>38,167,020</u>	 <u>38,528,461</u>
<u>Net assets</u>		
Without donor restrictions	41,832,571	40,880,023
With donor restrictions	<u>4,353,699</u>	<u>3,062,157</u>
 Total net assets	 <u>46,186,270</u>	 <u>43,942,180</u>
 Total liabilities and net assets	 <u>\$ 84,353,290</u>	 <u>\$ 82,470,641</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Financial Information for the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
<u>Operating revenue</u>				
Gross event revenue	\$ 13,215,416	\$ -	\$ 13,215,416	\$ 13,789,188
Less agent event revenue	<u>(10,468,742)</u>	<u>-</u>	<u>(10,468,742)</u>	<u>(11,097,433)</u>
Net event revenue	2,746,674	-	2,746,674	2,691,755
Fees earned from agent sales	<u>1,466,880</u>	<u>-</u>	<u>1,466,880</u>	<u>1,534,033</u>
Total operating revenue	<u>4,213,554</u>	<u>-</u>	<u>4,213,554</u>	<u>4,225,788</u>
<u>Operating expenses</u>				
Gross event costs	12,431,315	-	12,431,315	12,989,032
Less agent event costs	<u>(9,001,862)</u>	<u>-</u>	<u>(9,001,862)</u>	<u>(9,563,400)</u>
Net event costs	3,429,453	-	3,429,453	3,425,632
Depreciation	1,516,484	-	1,516,484	1,529,661
Administrative	<u>2,313,967</u>	<u>-</u>	<u>2,313,967</u>	<u>2,221,536</u>
Total operating expenses	<u>7,259,904</u>	<u>-</u>	<u>7,259,904</u>	<u>7,176,829</u>
Results from operations	<u>(3,046,350)</u>	<u>-</u>	<u>(3,046,350)</u>	<u>(2,951,041)</u>
<u>Support and other income</u>				
Contributions	2,353,599	1,828,893	4,182,492	2,253,362
Investment income	2,522,368	-	2,522,368	1,083,318
Other income	26,849	-	26,849	15,408
Net assets released from restriction	<u>537,351</u>	<u>(537,351)</u>	<u>-</u>	<u>-</u>
Total support and other income	<u>5,440,167</u>	<u>1,291,542</u>	<u>6,731,709</u>	<u>3,352,088</u>
<u>Other expenses and loss</u>				
Bond financing	1,049,991	-	1,049,991	770,585
Development	364,278	-	364,278	357,051
Loss on uncollectible contributions receivable	<u>27,000</u>	<u>-</u>	<u>27,000</u>	<u>278,000</u>
Total other expenses and loss	<u>1,441,269</u>	<u>-</u>	<u>1,441,269</u>	<u>1,405,636</u>
Net non-operating income	<u>3,998,898</u>	<u>1,291,542</u>	<u>5,290,440</u>	<u>1,946,452</u>
Change in net assets	952,548	1,291,542	2,244,090	(1,004,589)
Net assets:				
Beginning of year	<u>40,880,023</u>	<u>3,062,157</u>	<u>43,942,180</u>	<u>44,946,769</u>
End of year	<u>\$ 41,832,571</u>	<u>\$ 4,353,699</u>	<u>\$ 46,186,270</u>	<u>\$ 43,942,180</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

With Summarized Financial Information for the Year Ended June 30, 2018

	Program Service	Management and General	Fundraising	Totals	
				2019	2018
Salaries and wages	\$ 1,624,575	\$ 848,544	\$ 288,257	\$ 2,761,376	\$ 2,640,293
Employee benefits	166,151	79,521	27,174	272,846	278,509
Payroll taxes	141,509	32,922	21,581	196,012	191,644
Professional	128,333	177,703	11,016	317,052	313,700
Advertising	32,984	110,746	2,115	145,845	169,270
Office	300,847	54,610	26,323	381,780	334,693
Occupancy	1,564,720	25,680	2,266	1,592,666	1,279,633
Travel	15,822	24,595	5,139	45,556	47,010
Conference and meetings	16,141	3,631	1,042	20,814	17,444
Depreciation	1,488,429	25,780	2,275	1,516,484	1,529,661
Production costs	764,012	-	-	764,012	748,257
Cost of goods sold	163,694	713	57,574	221,981	249,019
Insurance	58,890	29,289	10,271	98,450	104,964
Equipment maintenance	3,939	-	-	3,939	4,228
Printing and publications	12,227	41,616	8,671	62,514	58,858
Hospitality	24,637	7,247	21,437	53,321	56,779
Dues and subscriptions	3,775	19,230	1,941	24,946	32,057
Other	<u>70,873</u>	<u>11,387</u>	<u>112,319</u>	<u>194,579</u>	<u>248,446</u>
Total functional expenses	<u>\$ 6,581,558</u>	<u>\$ 1,493,214</u>	<u>\$ 599,401</u>	<u>\$ 8,674,173</u>	<u>\$ 8,304,465</u>

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Financial Information for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Operating activities</u>		
Change in net assets	\$ 2,244,090	\$ (1,004,589)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,516,484	1,529,661
Amortization of debt issuance costs	10,562	10,342
Loss on uncollectible contributions receivable	27,000	278,000
Net realized and unrealized losses (gains) on investments	(650,236)	465,666
Loss (gain) on cash surrender value of life insurance	(27,234)	25,787
Change in present value discount on contributions receivable	(5,000)	(26,000)
Loss on disposal of property and equipment	-	4,095
Decrease (increase) in:		
Accounts receivable	13,215	145,789
Inventory	(9,982)	8,509
Prepaid expenses	66,074	4,858
Contributions receivable	(1,169,912)	403,779
Increase (decrease) in:		
Accounts payable	(153,279)	(10,706)
Accrued liabilities	119,273	67,691
Advance collections	(188,064)	366,947
Conditional transfers	<u>(162,250)</u>	<u>(65,250)</u>
Net cash provided by operating activities	<u>1,630,741</u>	<u>2,204,579</u>
<u>Investing activities</u>		
Purchase of property and equipment	(176,103)	(233,901)
Purchases of investments	(2,446,796)	(2,106,538)
Purchase of life insurance contract	(21,268)	(21,278)
Proceeds from sales of investments	<u>452,000</u>	<u>441,015</u>
Net cash used for investing activities	<u>(2,192,167)</u>	<u>(1,920,702)</u>
<u>Financing activities</u>		
Payments on debt issuance costs	<u>-</u>	<u>(8,121)</u>
<u>Cash</u>		
Net increase (decrease)	(561,426)	275,756
Beginning of year	<u>1,306,082</u>	<u>1,030,326</u>
End of year	<u>\$ 744,656</u>	<u>\$ 1,306,082</u>
<u>Supplemental cash flow information</u>		
Cash paid for bond financing expenses	\$ 891,111	\$ 745,000

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 two classes of net assets:

Net assets without donor restrictions - net assets available for use in general operations and not restricted by donor-imposed stipulations.

Net assets with donor restrictions - 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. Other donor-imposed stipulations are perpetual in nature and cannot expire by passage of time nor can be fulfilled and removed by actions of the Center. The Center had no restrictions that were perpetual in nature at June 30, 2019 and 2018.

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, 2019

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

F. Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

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 net assets without donor restrictions 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. Advance collections

Ticket sales and fees and facility usage income received in advance for upcoming events are recorded as liabilities and are either retained and recognized as revenue in the period that the event occurs or are transferred to the principal of the event when the Center is the agent in the transaction. If an event is cancelled, the corresponding advance collections would be refunded.

L. 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.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2019

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

M. Fees earned from agent sales

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.

N. 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 net assets with donor restrictions. If a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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 had approximately 470 volunteers that contributed approximately 33,300 hours during the year ended June 30, 2019, and approximately 453 volunteers that contributed approximately 31,500 hours during the year ended June 30, 2018.

O. Advertising

The Center uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the years ended June 30, 2019 and 2018, advertising costs totaled \$145,845 and \$169,270, respectively.

P. 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.

Q. Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. This statement reports expenses that are attributed to program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

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

Q. Functional allocation of expenses, continued

Depreciation and occupancy are allocated on the basis of square footage. Personnel costs and insurance are allocated on the basis of time and effort.

R. 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 years ended June 30, 2019 and 2018. 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.

S. 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, 2018, from which the summarized information was derived.

T. Change in accounting principles

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-14 did not have a material impact on the Center's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The financial statements reflect the application of ASC 606 guidance beginning July 1, 2018 using the modified retrospective approach. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Center's reported historical revenue.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

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

T. Change in accounting principles, continued

Additionally in June 2018, FASB issue ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2018-08 beginning July 1, 2018 using the modified prospective approach. The new guidance does not require prior period results to be restated. The new guidance is applied only to agreements that are incomplete as of the effective date or that are entered into after the effective date. The implementation of this standard resulted in contributions, previously classified as conditional being recognized as unconditional. Below is the impact of this amendment on the financial statements as of and for the year ended June 30, 2019:

	Reported under <u>old guidance</u>	<u>Adjustments</u>	Reported under <u>new guidance</u>
Assets:			
Contributions receivable	\$ 2,014,087	\$ 1,089,320	\$ 3,103,407
Liabilities:			
Conditional transfers	\$ 201,250	\$ (201,250)	\$ -
Net assets:			
With donor restrictions	\$ 3,063,129	\$ 1,290,570	\$ 4,353,699
Revenue:			
Contributions	\$ 2,891,922	\$ 1,290,570	\$ 4,182,492

U. Reclassifications

Certain amounts in the prior-year summarized financial information have been reclassified to conform with the current-year presentation. Such reclassifications had no effect on previously reported net assets or changes in net assets.

V. Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 15 2019, the date on which the financial statements were available to be issued.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 2 - Liquidity and availability

As part of the Center’s liquidity management, cash balances are maintained to meet daily operational needs. Continuous fundraising activities ensures an adequate cash balance throughout the year. The Board of Directors has established two endowment funds to manage amounts invested in mutual funds (see Note 6). For the year ended June 30, 2020, the Board has made available approximately \$431,000 of the Center’s investments to support the Center’s current operations. If considered necessary, the Board could approve additional distributions from the Center’s investments to meet liquidity needs. The Center intends to spend only the current amount approved in the next year. The remaining balance of the investments has been excluded from the available assets shown below.

As the Center raises and collects contributions, amounts designated for the Center’s endowment funds are used to purchase additional investments. All other contributions are added to the Center’s cash accounts and are available to support the Center’s current operations. Contributions receivable that are expected to be collected in the next fiscal year and will be available to support current operations are included in the available assets shown below.

The Center’s financial assets available within one year of June 30, 2019 for general expenditures are as follows:

Cash	\$ 744,656
Accounts receivable	256,035
Contributions receivable in less than one year for current operations	1,023,264
Investments approved to support current operations	<u>431,000</u>
	<u>\$ 2,454,955</u>

Note 3 - 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.

Note 4 - Accounts receivable

The balances for accounts receivable from contracts with customers consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accounts receivable:		
Agent profit share	\$ 158,956	\$ 132,658
Other usage fees	<u>97,079</u>	<u>136,592</u>
Total accounts receivable	<u>\$ 256,035</u>	<u>\$ 269,250</u>

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 5 - Contributions receivable

Contributions receivable are primarily due from individuals and corporations located in the Fox Valley region. Contributions receivable are as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 2,122,575	\$ 1,350,849
Receivable in one to five years	972,078	530,146
Receivable in greater than five years	<u>65,754</u>	<u>136,500</u>
Total unconditional promises to give	3,160,407	2,017,495
Less discount at a rate of 2% to 3%	<u>(57,000)</u>	<u>(62,000)</u>
Present value of contributions receivable	<u>\$ 3,103,407</u>	<u>\$ 1,955,495</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, 2018, the Center also had conditional promises to give of approximately \$774,000 for the sponsorship of future performances. With the adoption of ASU 2018-08 on July 1, 2018 (see Note 1T), these promises to give were no longer considered conditional and were included in contributions during the year ended June 30, 2019.

Note 6 - 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 net assets without donor restrictions 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 years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 5,497,211	\$ 5,013,942
Contributions	350,000	315,000
Investment income, net of fees	252,841	148,648
Net appreciation	<u>9,346</u>	<u>19,621</u>
End of year	<u>\$ 6,109,398</u>	<u>\$ 5,497,211</u>

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 6 - 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 market value of the fund for the most recent twelve calendar quarters. 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 years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 8,564,083	\$ 7,844,088
Contributions	248,897	213,753
Investment income, net of fees	372,656	374,782
Net appreciation	<u>230,997</u>	<u>131,460</u>
End of year	<u>\$ 9,416,633</u>	<u>\$ 8,564,083</u>

Note 7 - Investments

Investments consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual funds:		
Bond funds	\$ 31,956,828	\$ 30,684,550
Balanced stock/bond funds	<u>13,132,611</u>	<u>11,759,857</u>
	<u>\$ 45,089,439</u>	<u>\$ 42,444,407</u>

Investment income for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Net realized and unrealized gains (losses)	\$ 650,236	\$ (465,666)
Interest and dividends	2,158,133	1,876,888
Investment fees	(313,235)	(302,117)
Gain (loss) on cash surrender value of life insurance	<u>27,234</u>	<u>(25,787)</u>
	<u>\$ 2,522,368</u>	<u>\$ 1,083,318</u>

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 8 - Property and equipment

Property and equipment consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 1,415,906	\$ 1,382,016
Building	55,213,282	55,178,689
Operating equipment	2,419,567	2,319,040
Office equipment	186,458	185,681
Software	<u>29,738</u>	<u>29,738</u>
	59,264,951	59,095,164
Less accumulated depreciation	<u>(24,957,434)</u>	<u>(23,447,266)</u>
	<u>\$ 34,307,517</u>	<u>\$ 35,647,898</u>

Note 9 - Advance collections

The activity and balances for advance collections from contracts with customers for the years ended June 30, 2019 and 2018 were as follows:

	<u>Ticket sales</u>	<u>Ticket fees</u>	<u>Facility usage</u>	<u>Total</u>
Balance at June 30, 2017	\$ 306,054	\$ 271,407	\$ 39,918	\$ 617,379
Revenue recognized	(26,662)	(271,407)	(39,918)	(337,987)
Payments made to principals	(279,392)	-	-	(279,392)
Payments received for future obligations	<u>508,957</u>	<u>443,193</u>	<u>32,176</u>	<u>984,326</u>
Balance at June 30, 2018	508,957	443,193	32,176	984,326
Revenue recognized	(41,361)	(443,193)	(32,176)	(516,730)
Payments made to principals	(467,596)	-	-	(467,596)
Payments received for future obligations	<u>437,385</u>	<u>331,370</u>	<u>27,507</u>	<u>796,262</u>
Balance at June 30, 2019	<u>\$ 437,385</u>	<u>\$ 331,370</u>	<u>\$ 27,507</u>	<u>\$ 796,262</u>

The Center expects to satisfy the remaining obligations as of June 30, 2019 within the next year.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 10 - Bonds payable

Bonds payable consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Redevelopment revenue bonds series 2001B, mature in June 2036, due in monthly interest only payments initially at a variable rate (1.95% at June 30, 2019) with an option to convert to a fixed rate, secured by the mortgaged property of the Center and a letter of credit totaling \$37,056,806	\$ 36,700,000	\$ 36,700,000
Unamortized bond issuance costs	<u>(178,678)</u>	<u>(189,240)</u>
Total bonds payable	<u>\$ 36,521,322</u>	<u>\$ 36,510,760</u>

The loan agreement contains various covenants. Management believes that the Center was in compliance with these covenants at June 30, 2019.

Bond financing expenses for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Bond interest expense	\$ 592,182	\$ 428,893
Letter of credit fees	410,559	292,442
Bond trustee and other bond fees	<u>47,250</u>	<u>49,250</u>
	<u>\$ 1,049,991</u>	<u>\$ 770,585</u>

Note 11 - Net assets without donor restrictions

Net assets without donor restrictions at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 26,306,540	\$ 26,818,729
Board-designated Keystone Operations Fund (Note 6)	6,109,398	5,497,211
Board-designated Keystone Endowment Fund (Note 6)	<u>9,416,633</u>	<u>8,564,083</u>
Net assets without donor restrictions	<u>\$ 41,832,571</u>	<u>\$ 40,880,023</u>

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 12 - Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
Land (see Note 13)	\$ 1,303,748	\$ 1,303,748
Time restrictions:		
Contributions receivable	2,835,069	1,750,136
Contributions received for future periods	<u>214,882</u>	<u>8,273</u>
Net assets with donor restrictions	<u>\$ 4,353,699</u>	<u>\$ 3,062,157</u>

Net assets were released from donor restrictions by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions:		
Contributions receivable	\$ 529,078	\$ 549,898
Contributions received for future periods	<u>8,273</u>	<u>7,500</u>
Total net assets released from restriction	<u>\$ 537,351</u>	<u>\$ 557,398</u>

Note 13 - 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 14 - Multiple-employer defined contribution retirement plan

The Center has a co-employment agreement with QTI Human Resources, Inc. The Center 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 non-union 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 years ended June 30, 2019 and 2018, the Center contributed approximately \$40,000 and \$37,000, respectively, to the plan.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 15 - 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 was 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 years ended June 30, 2019 and 2018.

The Center has established various investment funds in which to accumulate assets to fund the future deferred compensation payments. The Center invested 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mutual funds:		
Annuities	\$ 46,758	\$ 45,391
Real estate	30,632	29,100
Fixed income	56,466	52,781
Equities	<u>185,691</u>	<u>179,958</u>
	<u>\$ 319,547</u>	<u>\$ 307,230</u>

Note 16 - Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards have established a hierarchy of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets, Level 2 consists of inputs observable in the marketplace other than quoted prices in active markets for identical assets, and Level 3 consists of significant inputs unobservable in the marketplace.

The fair value of the investments described in Notes 7 and 15 are based on quoted and computed market prices of the securities at June 30, 2019 and 2018.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 16 - Fair value measurements, continued

The following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2019 and 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2019</u>				
Mutual funds:				
Bond funds				
Limited maturity	\$ 2,393,420	\$ -	\$ -	\$ 2,393,420
Opportunity	29,563,408	-	-	29,563,408
Balance stock/bond funds				
Diverse	3,715,978	-	-	3,715,978
Moderate	9,416,633	-	-	9,416,633
Other fixed income	56,466	-	-	56,466
Other equities	122,870	62,821	-	185,691
Annuities	-	46,758	-	46,758
Real estate	<u>30,632</u>	<u>-</u>	<u>-</u>	<u>30,632</u>
	<u>\$ 45,299,407</u>	<u>\$ 109,579</u>	<u>\$ -</u>	<u>\$ 45,408,986</u>
 <u>2018</u>				
Mutual funds:				
Bond funds				
Limited maturity	\$ 2,301,437	\$ -	\$ -	\$ 2,301,437
Opportunity	28,383,113	-	-	28,383,113
Balance stock/bond funds				
Diverse	3,195,774	-	-	3,195,774
Moderate	8,564,083	-	-	8,564,083
Other fixed income	52,781	-	-	52,781
Other equities	117,178	62,780	-	179,958
Annuities	-	45,391	-	45,391
Real estate	<u>29,100</u>	<u>-</u>	<u>-</u>	<u>29,100</u>
	<u>\$ 42,643,466</u>	<u>\$ 108,171</u>	<u>\$ -</u>	<u>\$ 42,751,637</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.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 17 - Operating revenue

The Center's revenue disaggregated according to the timing of transfer of goods or services for the years ended June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Revenue recognized at a point in time		
Event revenue:		
Ticket sales	\$ 1,121,361	\$ 990,332
Ticket fees	849,563	877,261
Concession sales	601,846	587,974
Advertising	113,077	118,260
Other	60,827	117,928
Fees earned from agent sales:		
Facility usage	611,845	570,437
Other usage fees	247,809	431,439
Agent profit share	<u>607,226</u>	<u>532,157</u>
Total revenue recognized at a point in time	<u>\$ 4,213,554</u>	<u>\$ 4,225,788</u>

The Center does not have contract revenue that is recognized over a period of time. The transfer of goods or services occurs when the event occurs, and as such, the Center recognizes revenue when the event occurs.

Note 18 - 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 years ended June 30, 2019 and 2018, these related parties contributed approximately \$221,000 and \$121,000, respectively, to the Center. Discounted contributions receivable from these related parties are approximately \$109,000 and \$38,000 at June 30, 2019 and 2018, respectively.

Note 19 - Commitment

The Center has a presentation agreement with another entity to act as an agent (see Note 1M) 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.

FOX CITIES PERFORMING ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 20 - 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 are 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 ends are December 31, 2018 and 2017. 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 Zone Status ¹		FIP/RP Status ²	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2018	2017		2018	2017		
I.A.T.S.E (International Alliance of Theatrical Stage Employees) National Pension Fund	13-1849172/001	Green	Green	N/A	\$ 40,262	\$ 52,816	N/A	6/30/2024

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

²Indicates plans for which a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.