FOX CITIES PERFORMING ARTS CENTER, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2017, and our report dated October 17, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schenck SC

Certified Public Accountants

Appleton, Wisconsin
October 15, 2018

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2018
With Comparative Information as of June 30, 2017

ASSETS	2018	2017
Cash	$ 1,306,082	$ 1,030,326
Accounts receivable	269,250	415,039
Inventory	38,107	46,616
Prepaid expenses	251,200	256,058
Contributions receivable	1,955,495	2,611,274
Investments	42,444,407	41,244,550
Investments designated for deferred compensation	307,230	287,406
Cash surrender value of life insurance	250,972	255,481
Property and equipment, net	35,647,898	36,947,753
Total assets	$ 82,470,641	$ 83,094,503

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 227,587	$ 238,293
Accrued:		
Payroll and payroll taxes	89,900	45,643
Interest	41,516	26,273
Other	204,892	196,701
Advance collections	984,326	617,379
Conditional transfers	162,250	227,500
Deferred compensation	307,230	287,406
Bonds payable	36,510,760	36,508,539
Total liabilities	38,528,461	38,147,734
Net assets		
Unrestricted net assets	40,880,023	41,318,261
Temporarily restricted net assets	3,062,157	3,628,508
Total net assets	43,942,180	44,946,769
Total liabilities and net assets	$ 82,470,641	$ 83,094,503

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
With Summarized Comparative Information for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Totals 2018	Totals 2017
Operating revenue				
Gross event revenue	$ 13,817,762	$ -	$ 13,817,762	$ 10,391,175
Less agent event revenue	(11,097,433)	-	(11,097,433)	(8,247,043)
Net event revenue	2,720,329	-	2,720,329	2,144,132
Fees earned from agent sales	1,083,200	-	1,083,200	991,288
Total operating revenue	3,803,529	-	3,803,529	3,135,420
Operating expenses				
Gross event costs	13,017,606	-	13,017,606	9,946,193
Less agent event costs	(10,014,233)	-	(10,014,233)	(7,255,755)
Net event costs	3,003,373	-	3,003,373	2,690,438
Depreciation	1,529,661	-	1,529,661	1,536,957
Administrative	2,221,536	-	2,221,536	2,231,207
Total operating expenses	6,754,570	-	6,754,570	6,458,602
Results from operations	(2,951,041)	-	(2,951,041)	(3,323,182)
Support and other income				
Contributions	2,062,315	191,047	2,253,362	2,305,603
Investment income	1,083,318	-	1,083,318	2,590,349
Other income	15,408	-	15,408	20,004
Net assets released from restriction	557,398	(557,398)	-	-
Total support and other income	3,718,439	(366,351)	3,352,088	4,915,956
Other expenses and loss				
Bond financing	770,585	-	770,585	605,734
Development	357,051	-	357,051	286,569
Loss on uncollectible contributions receivable	78,000	200,000	278,000	-
Total other expenses and loss	1,205,636	200,000	1,405,636	892,303
Net non-operating income	2,512,803	(566,351)	1,946,452	4,023,653
Change in net assets	(438,238)	(566,351)	(1,004,589)	700,471
Net assets:				
Beginning of year	41,318,261	3,628,508	44,946,769	44,246,298
End of year	$ 40,880,023	$ 3,062,157	$ 43,942,180	$ 44,946,769

See notes to financial statements.

FOX CITIES PERFORMING ARTS CENTER, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2018
With Comparative Information for the Year Ended June 30, 2017

	2018	2017
Operating activities		
Change in net assets	$ (1,004,589)	$ 700,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,529,661	1,536,957
Amortization of debt issuance costs	10,342	10,121
Loss on uncollectible contributions receivable	278,000	-
Net realized and unrealized losses (gains) on investments	465,666	(1,300,604)
Loss on cash surrender value of life insurance	25,787	314
Change in present value discount on contributions receivable	(26,000)	(40,000)
Loss on disposal of property and equipment	4,095	1,914
Decrease (increase) in:		
Accounts receivable	145,789	(292,001)
Inventory	8,509	(14,404)
Prepaid expenses	4,858	(20,237)
Contributions receivable	403,779	267,904
Increase (decrease) in:		
Accounts payable	(10,706)	13,388
Accrued liabilities	67,691	29,334
Advance collections	366,947	(74,923)
Conditional transfers	(65,250)	(52,500)
Net cash provided by operating activities	2,204,579	765,734
Investing activities		
Purchase of property and equipment	(233,901)	(159,416)
Purchases of investments	(2,106,538)	(1,858,932)
Purchase of life insurance contract	(21,278)	(21,299)
Proceeds from sales of investments	441,015	1,106,111
Net cash used for investing activities	(1,920,702)	(933,536)
Financing activities		
Payments on debt issuance costs	(8,121)	-
Cash		
Net increase (decrease)	275,756	(167,802)
Beginning of year	1,030,326	1,198,128
End of year	$ 1,306,082	$ 1,030,326
Supplemental cash flow information		
Cash paid for bond financing expenses	$ 745,000	$ 581,844

See notes to financial statements.

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, 2018 and 2017.

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.

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 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. 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.

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.

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 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 had approximately 453 volunteers that contributed approximately 31,500 hours during the year ended June 30, 2018, and approximately 399 volunteers that contributed approximately 26,000 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, 2018 and 2017, advertising costs totaled approximately $104,000 and $197,400, 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 Note 9. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

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

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, 2018 and 2017. 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, 2017, from which the summarized information was derived.

T. Change in accounting principle

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330), Simplifying the Measurement of Inventory*. ASU 2015-11 is part of the FASB's initiative to simplify accounting standards. The guidance requires an entity to recognize inventory within the scope of the Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Center adopted ASU 2015-11 as of June 30, 2018 and has applied it on a prospective basis. The adoption of ASU 2015-11 did not have a material impact on the Center's financial statements.

U. Recent accounting pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which amends current financial statements presentation and disclosure requirements. This ASU was presented to simplify the net asset classification requirements and improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The standard reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statements of cash flows when applying the direct method. This standard is effective for annual reporting periods beginning after December 15, 2017. The Center is currently evaluating the impact of ASU 2016-14 on the Center's financial statements.

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

U. Recent accounting pronouncements, continued

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which is effective for annual reporting periods beginning after December 15, 2017. Adoption is to be applied retrospectively. The Center is currently evaluating the impact of ASU 2014-09 on the Center's financial statements.

V. Reclassifications

Certain amounts in the prior-year summarized comparative 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.

W. Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 15, 2018, 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.

Note 3 - Contributions receivable

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

	2018	2017
Receivable in less than one year	$ 1,350,849	$ 1,588,175
Receivable in one to five years	530,146	901,869
Receivable in greater than five years	136,500	209,230
Total unconditional promises to give	2,017,495	2,699,274
Less discount at a rate of 2% to 3%	(62,000)	(88,000)
Present value of contributions receivable	$ 1,955,495	$ 2,611,274

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. 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.

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 years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Beginning of year	$ 5,013,942	$ 4,667,750
Contributions	315,000	350,953
Investment income, net of fees	148,648	135,149
Net appreciation	19,621	157,348
Amount appropriated for expenditure	-	(297,258)
End of year	$ 5,497,211	$ 5,013,942

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 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, 2018 and 2017 were as follows:

	2018	2017
Beginning of year	$ 7,844,088	$ 7,071,012
Contributions	213,753	214,920
Investment income, net of fees	374,782	159,358
Net appreciation	131,460	677,545
Amount appropriated for expenditure	-	(278,747)
End of year	$ 8,564,083	$ 7,844,088

Note 5 - Investments

Investments consist of the following at June 30, 2018 and 2017:

	2018	2017
Mutual funds:		
Bond funds	$ 30,684,550	$ 30,660,450
Balanced stock/bond funds	11,759,857	10,584,100
	$ 42,444,407	$ 41,244,550

Investment income for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Net realized and unrealized gains (losses)	$ (465,666)	$ 1,300,604
Interest and dividends	1,876,888	1,583,430
Investment fees	(302,117)	(293,371)
Loss on cash surrender value of life insurance	(25,787)	(314)
	$ 1,083,318	$ 2,590,349

Note 6 - Property and equipment

Property and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Land and land improvements	$ 1,382,016	$ 1,351,773
Building	55,178,689	55,153,438
Operating equipment	2,319,040	2,309,622
Office equipment	185,681	198,330
Software	29,738	67,250
	59,095,164	59,080,413
Less accumulated depreciation	(23,447,266)	(22,132,660)
	$ 35,647,898	$ 36,947,753

Note 7 - Bonds payable

Bonds payable consist of the following at June 30, 2018 and 2017:

	2018	2017
Redevelopment revenue bonds series 2001B, mature in June 2036, due in monthly interest only payments initially at a variable rate (1.55% at June 30, 2018) 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	(189,240)	(191,461)
Total bonds payable	$ 36,510,760	$ 36,508,539

The loan agreement contains various covenants. Management believes that the Center was in compliance with these covenants at June 30, 2018.

Bond financing expenses for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Bond interest expense	$ 428,893	$ 264,590
Letter of credit fees	292,442	283,227
Bond trustee and other bond fees	49,250	57,917
	$ 770,585	$ 605,734

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Purpose restrictions:		
Land (see Note 10)	$ 1,303,748	$ 1,303,748
Time restrictions:		
Contributions receivable	1,750,136	2,317,260
Contributions received for future periods	8,273	7,500
Total	$ 3,062,157	$ 3,628,508

Note 9 - Functional classification of expenses

Expenses by function for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Program services	$ 5,930,918	$ 5,509,659
Supporting activities:		
Management and general	1,367,901	1,377,291
Fundraising	583,387	463,955
	$ 7,882,206	$ 7,350,905

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 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, 2018 and 2017, the Center contributed approximately $37,000 and $30,000, respectively, to the plan.

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 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, 2018 and 2017.

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, 2018 and 2017:

	2018	2017
Mutual funds:		
Annuities	$ 45,391	$ 44,068
Real estate	29,100	27,702
Fixed income	52,781	52,871
Equities	179,958	162,765
	$ 307,230	$ 287,406

Note 13 - 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 5 and 12 are based on quoted and computed market prices of the securities at June 30, 2018 and 2017.

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, 2018 and 2017:

	Level 1	Level 2	Level 3	Total
2018				
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	29,100	-	-	29,100
	$ 42,643,466	$ 108,171	$ -	$ 42,751,637
2017				
Mutual funds:				
Bond funds				
Limited maturity	$ 2,273,930	$ -	$ -	$ 2,273,930
Opportunity	28,386,520	-	-	28,386,520
Balance stock/bond funds				
Diverse	2,740,012	-	-	2,740,012
Moderate	7,844,088	-	-	7,844,088
Other fixed income	52,871	-	-	52,871
Other equities	104,541	58,224	-	162,765
Annuities	-	44,068	-	44,068
Real estate	27,702	-	-	27,702
	$ 41,429,664	$ 102,292	$ -	$ 41,531,956

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 years ended June 30, 2018 and 2017, these related parties contributed approximately $121,000 and $136,000, respectively, to the Center. Discounted contributions receivable from these related parties are approximately $38,000 and $88,000 at June 30, 2018 and 2017, respectively.

Note 15 - 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.

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 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.

Note 16 - Multi-employer pension plan, continued

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, 2017 and 2016. 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] 2017	2016	FIP/RP Status[2]	Contributions 2017	Contributions 2016	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
I.A.T.S.E (International Alliance of Theatrical Stage Employees) National Pension Fund	13-1849172/ 001	Green	Green	N/A	$ 52,816	$ 38,365	N/A	6/30/2019

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

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