

FOX CITIES PERFORMING ARTS CENTER, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



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**FOX CITIES PERFORMING ARTS CENTER, INC.
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YEAR ENDED JUNE 30, 2020**

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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 nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, 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.

Board of Directors
Fox Cities Performing Arts Center, Inc.

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, 2020, 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 Financial Information

We have previously audited the Fox Cities Performing Arts Center, Inc.'s 2019 financial statements, and our report dated October 15, 2019, 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, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Appleton, Wisconsin
October 13, 2020

FOX CITIES PERFORMING ARTS CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2019

ASSETS	<u>2020</u>	<u>2019</u>
Cash	\$ 1,363,489	\$ 744,656
Accounts Receivable	312,910	256,035
Inventory	63,099	48,089
Prepaid Expenses	33,857	185,126
Contributions Receivable	2,718,176	3,103,407
Investments	45,211,286	45,089,439
Investments Designated for Deferred Compensation	303,686	319,547
Cash Surrender Value of Life Insurance	318,567	299,474
Property and Equipment, Net	<u>32,946,806</u>	<u>34,307,517</u>
Total Assets	<u>\$ 83,271,876</u>	<u>\$ 84,353,290</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 69,624	\$ 74,308
Accrued:		
Payroll and Payroll Taxes	70,385	49,867
Interest and Fees	123,734	189,834
Other	206,547	215,880
Advance Collections	905,102	796,262
Deferred Compensation	303,686	319,547
Note Payable	621,995	-
Bonds Payable	<u>36,526,253</u>	<u>36,521,322</u>
Total Liabilities	38,827,326	38,167,020
NET ASSETS		
Without Donor Restrictions	40,394,911	41,832,571
With Donor Restrictions	<u>4,049,639</u>	<u>4,353,699</u>
Total Net Assets	<u>44,444,550</u>	<u>46,186,270</u>
Total Liabilities and Net Assets	<u>\$ 83,271,876</u>	<u>\$ 84,353,290</u>

See accompanying Notes to Financial Statements.

FOX CITIES PERFORMING ARTS CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE INFORMATION AS OF JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
OPERATING REVENUE				
Gross Event Revenue	\$ 13,200,449	\$ -	\$ 13,200,449	\$ 13,215,416
Less: Agent Event Revenue	(11,380,437)	-	(11,380,437)	(10,468,742)
Net Event Revenue	1,820,012	-	1,820,012	2,746,674
Fees Earned from Agent Sales	1,396,169	-	1,396,169	1,493,729
Total Operating Revenue	3,216,181	-	3,216,181	4,240,403
OPERATING EXPENSES				
Gross Event Costs	12,697,914	-	12,697,914	12,431,315
Less: Agent Event Costs	(9,984,268)	-	(9,984,268)	(9,001,862)
Net Event Costs	2,713,646	-	2,713,646	3,429,453
Depreciation	1,530,445	-	1,530,445	1,516,484
Administrative	2,186,817	-	2,186,817	2,313,967
Total Operating Expenses	6,430,908	-	6,430,908	7,259,904
Results from Operations	(3,214,727)	-	(3,214,727)	(3,019,501)
SUPPORT AND OTHER INCOME				
Contributions	1,214,381	880,864	2,095,245	4,182,492
Investment Income	583,521	-	583,521	2,522,368
Net Assets Released from Restriction	1,184,924	(1,184,924)	-	-
Total Support and Other Income	2,982,826	(304,060)	2,678,766	6,704,860
OTHER EXPENSES AND LOSSES				
Bond Financing	881,041	-	881,041	1,049,991
Development	324,718	-	324,718	364,278
Loss on Uncollectible				
Contributions Receivable	-	-	-	27,000
Total Other Expenses and Losses	1,205,759	-	1,205,759	1,441,269
Net Nonoperating Income	1,777,067	(304,060)	1,473,007	5,263,591
CHANGE IN NET ASSETS	(1,437,660)	(304,060)	(1,741,720)	2,244,090
Net Assets - Beginning of Year	41,832,571	4,353,699	46,186,270	43,942,180
NET ASSETS - END OF YEAR	<u>\$ 40,394,911</u>	<u>\$ 4,049,639</u>	<u>\$ 44,444,550</u>	<u>\$ 46,186,270</u>

See accompanying Notes to Financial Statements.

FOX CITIES PERFORMING ARTS CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE INFORMATION AS OF JUNE 30, 2019

	Program Service	Management and General	Fundraising	Totals	
				2020	2019
Salaries and Wages	\$ 1,540,246	\$ 792,784	\$ 267,195	\$ 2,600,225	\$ 2,761,376
Employee Benefits	191,574	86,155	27,131	304,860	272,846
Payroll Taxes	135,043	27,769	21,036	183,848	196,012
Professional	116,323	164,707	2,691	283,721	317,052
Advertising	32,637	68,649	-	101,286	145,845
Office	257,213	34,003	7,059	298,275	381,780
Occupancy	1,365,517	22,353	1,972	1,389,842	1,592,666
Travel	21,401	13,498	2,736	37,635	45,556
Conference and Meetings	5,848	2,429	355	8,632	20,814
Depreciation	1,502,131	26,018	2,296	1,530,445	1,516,484
Production Costs	282,307	-	-	282,307	764,012
Cost of Goods Sold	149,076	780	41,794	191,650	221,981
Insurance	61,720	29,976	10,426	102,122	98,450
Equipment Maintenance	473	-	-	473	3,939
Printing and Publications	6,427	28,729	5,360	40,516	62,514
Hospitality	15,716	8,097	6,317	30,130	53,321
Dues and Subscriptions	3,621	10,251	405	14,277	24,946
Other	72,024	162	164,237	236,423	194,579
Total Functional Expenses	<u>\$ 5,759,297</u>	<u>\$ 1,316,360</u>	<u>\$ 561,010</u>	<u>\$ 7,636,667</u>	<u>\$ 8,674,173</u>

See accompanying Notes to Financial Statements.

FOX CITIES PERFORMING ARTS CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,741,720)	\$ 2,244,090
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,530,445	1,516,484
Amortization of Debt Issuance Costs	10,738	10,562
Loss on Uncollectible Contributions Receivable	-	27,000
Net Realized and Unrealized Losses (Gains) on Investments	1,218,086	(650,236)
Loss (Gain) on Cash Surrender Value of Life Insurance	2,175	(27,234)
Change in Present Value Discount on Contributions Receivable	(18,000)	(5,000)
Decrease (Increase) in:		
Accounts Receivable	(56,875)	13,215
Inventory	(15,010)	(9,982)
Prepaid Expenses	151,269	66,074
Contributions Receivable	403,231	(1,169,912)
Increase (Decrease) in:		
Accounts Payable	(4,684)	(153,279)
Accrued Liabilities	(54,915)	119,273
Advance Collections	108,840	(188,064)
Conditional Transfers	-	(162,250)
Net Cash Provided by Operating Activities	1,533,580	1,630,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(169,734)	(176,103)
Purchases of Investments	(2,088,933)	(2,446,796)
Purchase of Life Insurance Contract	(21,268)	(21,268)
Proceeds from Sales of Investments	749,000	452,000
Net Cash Used by Investing Activities	(1,530,935)	(2,192,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	621,995	-
Payments on Debt Issuance Costs	(5,807)	-
Net Cash Provided by Financing Activities	616,188	-
NET INCREASE (DECREASE) IN CASH	618,833	(561,426)
Cash - Beginning of year	744,656	1,306,082
CASH - END OF YEAR	\$ 1,363,489	\$ 744,656
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Bond Financing Expenses	\$ 936,403	\$ 891,111

See accompanying Notes to Financial Statements.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Fox Cities Performing Arts Center, Inc. (the Center) is a Wisconsin nonstock, tax-exempt organization formed to own and operate a nonprofit 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.

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.

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, 2020 and 2019.

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.

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.

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.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

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.

Operating Revenue Recognition

The Center recognizes revenue from ticket sales and fees, facility and other usage fees, agent profit share, advertising, and other income over the time the services are provided or the events occur. The performance obligation of providing a performing arts event or a venue for a performing arts event is recognized as services are simultaneously received and consumed by the customers. The Center recognizes revenue from concession sales at the time of the sale.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 400 volunteers that contributed approximately 20,000 hours during the year ended June 30, 2020, and approximately 470 volunteers that contributed approximately 33,300 hours during the year ended June 30, 2019.

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, 2020 and 2019, advertising costs totaled \$101,286 and \$145,845, respectively.

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
JUNE 30, 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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, 2020 and 2019. 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.

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, 2019, from which the summarized information was derived.

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.

Subsequent Events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 13, 2020, the date on which the financial statements were available to be issued.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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). As of June 30, 2020 and 2019, the board made available approximately \$766,000 and \$431,000, respectively, 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, 2020 and 2019 for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,363,489	\$ 744,656
Accounts Receivable	312,910	256,035
Contributions Receivable in Less than One Year for Current Operations	755,914	1,023,264
Investments Approved to Support Current Operations	766,000	431,000
Total	<u>\$ 3,198,313</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.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 ACCOUNTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Accounts Receivable:		
Agent Profit Share	\$ 171,635	\$ 158,956
Other Usage Fees	141,275	97,079
Total Accounts Receivable	<u>\$ 312,910</u>	<u>\$ 256,035</u>

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:

	<u>2020</u>	<u>2019</u>
Receivable in Less than One Year	\$ 1,939,051	\$ 2,122,575
Receivable in One to Five Years	765,725	972,078
Receivable in Greater than Five Years	52,400	65,754
Total Unconditional Promises to Give	2,757,176	3,160,407
Less: Discount at a Rate of 2% to 3%	(39,000)	(57,000)
Present Value of Contributions Receivable	<u>\$ 2,718,176</u>	<u>\$ 3,103,407</u>

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

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.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 ENDOWMENT FUNDS (CONTINUED)

Composition of and changes in the Keystone Operations Fund net assets for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Beginning of Year	\$ 6,109,398	\$ 5,497,211
Contributions	70,000	350,000
Investment Income, Net of Fees	184,257	252,841
Net Appreciation (Depreciation)	(127,477)	9,346
Amount Appropriated for Expenditure	<u>(749,000)</u>	<u>-</u>
End of Year	<u>\$ 5,487,178</u>	<u>\$ 6,109,398</u>

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 12 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Beginning of Year	\$ 9,416,633	\$ 8,564,083
Contributions	212,152	248,897
Investment Income, Net of Fees	516,397	372,656
Net Appreciation (Depreciation)	<u>(87,257)</u>	<u>230,997</u>
End of Year	<u>\$ 10,057,925</u>	<u>\$ 9,416,633</u>

NOTE 7 INVESTMENTS

Investments consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mutual Funds:		
Bond Funds	\$ 31,359,590	\$ 31,956,828
Balanced Stock/Bond Funds	<u>13,851,696</u>	<u>13,132,611</u>
Total	<u>\$ 45,211,286</u>	<u>\$ 45,089,439</u>

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 INVESTMENTS (CONTINUED)

Investment income for the years ended June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Net Realized and Unrealized Gains (Losses)	\$ (1,218,086)	\$ 650,236
Interest and Dividends	2,115,098	2,158,133
Investment Fees	(311,316)	(313,235)
Gain (Loss) on Cash Surrender Value of Life Insurance	(2,175)	27,234
Total	<u>\$ 583,521</u>	<u>\$ 2,522,368</u>

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land and Land Improvements	\$ 1,436,216	\$ 1,415,906
Building	55,241,763	55,213,282
Operating Equipment	2,534,882	2,419,567
Office Equipment	186,458	186,458
Software	30,266	29,738
Total	<u>59,429,585</u>	<u>59,264,951</u>
Less: Accumulated Depreciation	<u>(26,482,779)</u>	<u>(24,957,434)</u>
Total	<u>\$ 32,946,806</u>	<u>\$ 34,307,517</u>

NOTE 9 ADVANCE COLLECTIONS

The activity and balances for advance collections from contracts with customers for the years ended June 30, 2020 and 2019 were as follows:

	<u>Ticket sales</u>	<u>Ticket Fees</u>	<u>Facility Usage</u>	<u>Total</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	437,385	331,370	27,507	796,262
Revenue Recognized	(33,678)	(331,370)	(27,507)	(392,555)
Payments Made to Principals	(403,707)	-	-	(403,707)
Payments Received for Future Obligations	<u>316,693</u>	<u>574,821</u>	<u>13,588</u>	<u>905,102</u>
Balance at June 30, 2020	<u>\$ 316,693</u>	<u>\$ 574,821</u>	<u>\$ 13,588</u>	<u>\$ 905,102</u>

The Center expects to satisfy the remaining obligations as of June 30, 2020 or provide refunds within the next year.

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NOTE 10 NOTE PAYABLE

On April 6, 2020, the Center received a loan from JPMorgan Chase Bank, N.A. in the amount of \$621,995 to fund payroll, utilities, and interest on existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and principal and interest at a rate of 0.98% was due over 24 months, deferred for six months, with a final payment of principal and interest due April 6, 2022.

Some or all of these amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Center fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

NOTE 11 BONDS PAYABLE

Bonds payable consist of the following at June 30:

	2020	2019
Redevelopment Revenue Bonds Series 2001B, mature in June 2036, due in monthly interest-only payments initially at a variable rate (0.17% at June 30, 2020) 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	(173,747)	(178,678)
Total Bonds Payable	\$ 36,526,253	\$ 36,521,322

The loan agreement contains various covenants. Management believes that the Center was in compliance with these covenants at June 30, 2020.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 BONDS PAYABLE (CONTINUED)

Bond financing expenses for the years ended June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Bond Interest Expense	\$ 451,364	\$ 592,182
Letter of Credit Fees	380,168	410,559
Bond Trustee and Other Bond Fees	49,509	47,250
Total	<u>\$ 881,041</u>	<u>\$ 1,049,991</u>

NOTE 12 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 24,849,808	\$ 26,306,540
Board-Designated Keystone Operations Fund (Note 6)	5,487,178	6,109,398
Board-Designated Keystone Endowment Fund (Note 6)	10,057,925	9,416,633
Net Assets Without Donor Restrictions	<u>\$ 40,394,911</u>	<u>\$ 41,832,571</u>

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions:		
Land (See Note 14)	\$ 1,303,748	\$ 1,303,748
Time Restrictions:		
Contributions Receivable	2,533,176	2,835,069
Contributions Received for Future Periods	212,715	214,882
Net Assets With Donor Restrictions	<u>\$ 4,049,639</u>	<u>\$ 4,353,699</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:

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions:		
Contributions Receivable	\$ 975,620	\$ 529,078
Contributions Received for Future Periods	209,304	8,273
Total Net Assets Released from Restriction	<u>\$ 1,184,924</u>	<u>\$ 537,351</u>

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NOTE 14 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 15 MULTIEMPLOYER 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 multiemployer, defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all the Center's nonunion 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, 2020 and 2019, the Center contributed approximately \$43,000 and 40,000, respectively, to the plan.

NOTE 16 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, became fully payable upon separation of service by the employee. Deferred compensation expense totaled \$-0- for the years ended June 30, 2020 and 2019.

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 former 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 former employee.

FOX CITIES PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 DEFERRED COMPENSATION AND INVESTMENTS DESIGNATED FOR DEFERRED COMPENSATION (CONTINUED)

Investments designated for deferred compensation consist of the following June 30:

	<u>2020</u>	<u>2019</u>
Mutual Funds:		
Annuities	\$ 45,158	\$ 46,758
Real Estate	29,001	30,632
Fixed Income	56,654	56,466
Equities	172,873	185,691
Total	<u>\$ 303,686</u>	<u>\$ 319,547</u>

NOTE 17 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 16 are based on quoted and computed market prices of the securities at June 30, 2020 and 2019.

The following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2020</u>				
Mutual Funds:				
Bond Funds				
Limited Maturity	\$ 1,693,407	\$ -	\$ -	\$ 1,693,407
Opportunity	29,666,183	-	-	29,666,183
Balance Stock/Bond Funds:				
Diverse	3,793,771	-	-	3,793,771
Moderate	10,057,925	-	-	10,057,925
Other Fixed Income	56,654	-	-	56,654
Other Equities	118,351	54,522	-	172,873
Annuities	-	45,158	-	45,158
Real Estate	29,001	-	-	29,001
Total	<u>\$ 45,415,292</u>	<u>\$ 99,680</u>	<u>\$ -</u>	<u>\$ 45,514,972</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 16 FAIR VALUE MEASUREMENTS (CONTINUED)

	<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	30,632	-	-	30,632
Total	<u>\$ 45,299,407</u>	<u>\$ 109,579</u>	<u>\$ -</u>	<u>\$ 45,408,986</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 18 OPERATING REVENUE

The Center's revenue disaggregated according to the timing of transfer of goods or services for the years ended June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Revenue Recognized at a Point in Time		
Event Revenue:		
Concession Sales	\$ 540,299	\$ 601,846
Revenue Recognized Over Time		
Event Revenue:		
Ticket Sales	381,473	1,121,361
Ticket Fees	692,402	849,563
Advertising	114,241	113,077
Other	91,597	60,827
Fees Earned from Agent Sales:		
Facility Usage	506,163	611,845
Other Usage Fees	153,918	247,809
Agent Profit Share	736,088	634,075
Total Revenue Recognized Over Time	<u>2,675,882</u>	<u>3,638,557</u>
Total Operating Revenue	<u>\$ 3,216,181</u>	<u>\$ 4,240,403</u>

FOX CITIES PERFORMING ARTS CENTER, INC.
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NOTE 19 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, 2020 and 2019, these related parties contributed approximately \$103,000 and \$221,000, respectively, to the Center. Discounted contributions receivable from these related parties are approximately \$58,000 and \$109,000 at June 30, 2020 and 2019, respectively.

NOTE 20 COMMITMENT

The Center has a presentation agreement with another entity to act as an agent (see Note 1) 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 21 MULTIEMPLOYER PENSION PLAN

The Center contributes to one multiemployer 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 multiemployer plan are different from a single-employer plan in the following aspects:

- Assets contributed to the multiemployer 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 multiemployer 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 multiemployer pension plan in which it participates.

FOX CITIES PERFORMING ARTS CENTER, INC.
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NOTE 21 MULTIEMPLOYER PENSION PLAN (CONTINUED)

The table below contains a summary of the most recently available plan information relating to the Center's participation in the multiemployer pension plan, including the Center's contributions. The plan year ends are December 31, 2019 and 2018. 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
		2019	2018		2019	2018		
I.A.T.S.E (International Alliance of Theatrical Stage Employees) National Pension Fund	13-1849172/001	Green	Green	N/A	\$ 64,027	\$ 40,262	N/A	6/30/2024

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.

NOTE 22 RISKS AND UNCERTAINTIES

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Center, COVID-19 has impacted various parts of its operations and financial results, including the closure of the Center beginning in late March 2020 with a planned reopening in early 2021. In April 2020, the Center received a Payroll Protection Program loan to fund payroll, utilities, and interest on existing debt (see Note 10). Management believes the Center is taking appropriate actions to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these circumstances are ongoing.