

# **American Players Theatre of Wisconsin, Inc.**

Spring Green, Wisconsin

Financial Statements and Supplementary Information  
Years Ended December 31, 2012 and 2011

# American Players Theatre of Wisconsin, Inc.

Financial Statements and Supplementary Information  
Years Ended December 31, 2012 and 2011

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## **Independent Auditor's Report**

Board of Directors  
American Players Theatre of Wisconsin, Inc.  
Spring Green, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of American Players Theatre of Wisconsin, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 consolidated 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 American Players Theatre of Wisconsin, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses, Schedules A-1 to A-2, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Wipfli LLP*  
Wipfli LLP

Madison, Wisconsin  
May 8, 2013

# American Players Theatre of Wisconsin, Inc.

## Statements of Financial Position

December 31, 2012 and 2011

| <i>Assets</i>                                    | <b>2012</b>         | <b>2011</b>         |
|--|---------------------|---------------------|
| Current assets:                                  |                     |                     |
| Cash   | \$ 476,684          | \$ 288,026          |
| Pledges receivable, current portion              | 23,812              | 196,331             |
| Accounts receivable                              | 12,511              | 24,973              |
| Prepaid expenses                                 | 155,945             | 142,758             |
| Gift shop inventory                              | 47,108              | 52,111              |
| <b>Total current assets</b>                      | <b>716,060</b>      | <b>704,199</b>      |
| Other assets:                                    |                     |                     |
| Cash restricted for security deposit             | 61,200              | 61,200              |
| Interest in net assets of the endowment          | 162,861             | 144,568             |
| Pledges receivable                               | 167                 | 14,673              |
| <b>Total other assets</b>                        | <b>224,228</b>      | <b>220,441</b>      |
| Property and equipment                           | 10,220,737          | 10,145,358          |
| Less: accumulated depreciation                   | ( 3,053,637)        | ( 2,721,063)        |
| <b>Property and equipment, net</b>               | <b>7,167,100</b>    | <b>7,424,295</b>    |
| <b>TOTAL ASSETS</b>                              | <b>\$ 8,107,388</b> | <b>\$ 8,348,935</b> |
| <b><i>Liabilities and Net Assets</i></b>         |                     |                     |
| Current liabilities:                             |                     |                     |
| Accounts payable                                 | \$ 50,388           | \$ 86,734           |
| Other accrued expenses                           | 30,987              | 31,659              |
| Deferred ticket revenue                          | 32,656              | 32,647              |
| <b>Total current liabilities</b>                 | <b>114,031</b>      | <b>151,040</b>      |
| Net assets:                                      |                     |                     |
| Unrestricted net assets                          | 475,263             | 312,282             |
| Unrestricted net assets - Property and equipment | 7,167,100           | 7,424,295           |
| Board designated net assets                      | 100,000             | 0                   |
| <b>Total unrestricted net assets</b>             | <b>7,742,363</b>    | <b>7,736,577</b>    |
| Temporarily restricted net assets                | 150,994             | 361,318             |
| Permanently restricted net assets                | 100,000             | 100,000             |
| <b>Total net assets</b>                          | <b>7,993,357</b>    | <b>8,197,895</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>          | <b>\$ 8,107,388</b> | <b>\$ 8,348,935</b> |

See accompanying notes to financial statements.

# American Players Theatre of Wisconsin, Inc.

## Statements of Activities December 31, 2012 and 2011

|  | 2012                |                        |                        | Total               |
|--|---------------------|------------------------|------------------------|---------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted |                     |
| <b>Operating revenue:</b>                                      |                     |                        |                        |                     |
| Ticket sales   | \$ 3,222,068        | \$ 0                   | \$ 0                   | \$ 3,222,068        |
| Sponsorship fees   | 81,540              | 0                      | 0                      | 81,540              |
| Concession revenue   | 449,116             | 0                      | 0                      | 449,116             |
| Tours and education  | 65,547              | 0                      | 0                      | 65,547              |
| Investment income  | 7,216               | 0                      | 0                      | 7,216               |
| Other  | 29,234              | 0                      | 0                      | 29,234              |
| <b>Total operating revenue</b>                                 | <b>3,854,721</b>    | <b>0</b>               | <b>0</b>               | <b>3,854,721</b>    |
| <b>Operating expenses:</b>                                     |                     |                        |                        |                     |
| Artistic and production  | 2,728,375           | 0                      | 0                      | 2,728,375           |
| Marketing and patron services                                  | 995,015             | 0                      | 0                      | 995,015             |
| General and administrative                                     | 862,950             | 0                      | 0                      | 862,950             |
| Fund-raising   | 352,616             | 0                      | 0                      | 352,616             |
| Education  | 97,159              | 0                      | 0                      | 97,159              |
| <b>Total operating expenses</b>                                | <b>5,036,115</b>    | <b>0</b>               | <b>0</b>               | <b>5,036,115</b>    |
| <b>Loss from operations</b>                                    | <b>( 1,181,394)</b> | <b>0</b>               | <b>0</b>               | <b>( 1,181,394)</b> |
| <b>Support:</b>  |                     |                        |                        |                     |
| Contributions for operations                                   | 1,078,727           | 58,250                 | 0                      | 1,136,977           |
| Contributions for capital improvements                         | 56,648              | 0                      | 0                      | 56,648              |
| Grants   | 97,512              | 0                      | 0                      | 97,512              |
| Gain on net assets of the endowment                            | 0                   | 18,293                 | 0                      | 18,293              |
| Net assets released from restrictions for operations           | 114,853             | ( 114,853)             | 0                      | 0                   |
| Net assets released from restrictions for capital improvements | 172,014             | ( 172,014)             | 0                      | 0                   |
| <b>Total support</b>   | <b>1,519,754</b>    | <b>( 210,324)</b>      | <b>0</b>               | <b>1,309,430</b>    |
| <b>Income from current activities</b>                          | <b>338,360</b>      | <b>( 210,324)</b>      | <b>0</b>               | <b>128,036</b>      |
| <b>Depreciation expense</b>                                    | <b>332,574</b>      | <b>0</b>               | <b>0</b>               | <b>332,574</b>      |
| <b>Changes in net assets</b>                                   | <b>5,786</b>        | <b>( 210,324)</b>      | <b>0</b>               | <b>( 204,538)</b>   |
| <b>Net assets - Beginning of year</b>                          | <b>7,736,577</b>    | <b>361,318</b>         | <b>100,000</b>         | <b>8,197,895</b>    |
| <b>Net assets - End of year</b>                                | <b>\$ 7,742,363</b> | <b>\$ 150,994</b>      | <b>\$ 100,000</b>      | <b>\$ 7,993,357</b> |

See accompanying notes to financial statements.

|  | 2011                |                        |                        | Total               |
|--|---------------------|------------------------|------------------------|---------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted |                     |
| Operating revenue:   |                     |                        |                        |                     |
| Ticket sales   | \$ 3,337,435        | \$ 0                   | \$ 0                   | \$ 3,337,435        |
| Sponsorship fees   | 78,473              | 0                      | 0                      | 78,473              |
| Concession revenue   | 464,003             | 0                      | 0                      | 464,003             |
| Tours and education  | 54,520              | 0                      | 0                      | 54,520              |
| Investment income  | 4,584               | 0                      | 0                      | 4,584               |
| Other  | 28,015              | 0                      | 0                      | 28,015              |
| <b>Total operating revenue</b>                                 | <b>3,967,030</b>    | <b>0</b>               | <b>0</b>               | <b>3,967,030</b>    |
| Operating expenses:  |                     |                        |                        |                     |
| Artistic and production  | 2,611,343           | 0                      | 0                      | 2,611,343           |
| Marketing and patron services                                  | 1,029,485           | 0                      | 0                      | 1,029,485           |
| General and administrative                                     | 849,832             | 0                      | 0                      | 849,832             |
| Fund-raising   | 304,423             | 0                      | 0                      | 304,423             |
| Education  | 97,404              | 0                      | 0                      | 97,404              |
| <b>Total operating expenses</b>                                | <b>4,892,487</b>    | <b>0</b>               | <b>0</b>               | <b>4,892,487</b>    |
| <b>Loss from operations</b>                                    | <b>( 925,457)</b>   | <b>0</b>               | <b>0</b>               | <b>( 925,457)</b>   |
| Support:   |                     |                        |                        |                     |
| Contributions for operations                                   | 1,001,244           | 113,247                | 0                      | 1,114,491           |
| Contributions for capital improvements                         | 443,997             | 22,175                 |                        | 466,172             |
| Grants   | 46,263              | 0                      | 0                      | 46,263              |
| Loss on net assets of the endowment                            | 0                   | ( 25,681)              | 0                      | ( 25,681)           |
| Net assets released from restrictions for operations           | 154,310             | ( 154,310)             | 0                      | 0                   |
| Net assets released from restrictions for capital improvements | 336,193             | ( 336,193)             | 0                      | 0                   |
| <b>Total support</b>   | <b>1,982,007</b>    | <b>( 380,762)</b>      | <b>0</b>               | <b>1,601,245</b>    |
| <b>Income from current activities</b>                          | <b>1,056,550</b>    | <b>( 380,762)</b>      | <b>0</b>               | <b>675,788</b>      |
| <b>Depreciation expense</b>                                    | <b>327,012</b>      | <b>0</b>               | <b>0</b>               | <b>327,012</b>      |
| <b>Changes in net assets</b>                                   | <b>729,538</b>      | <b>( 380,762)</b>      | <b>0</b>               | <b>348,776</b>      |
| <b>Net assets - Beginning of year</b>                          | <b>7,007,039</b>    | <b>742,080</b>         | <b>100,000</b>         | <b>7,849,119</b>    |
| <b>Net assets - End of year</b>                                | <b>\$ 7,736,577</b> | <b>\$ 361,318</b>      | <b>\$ 100,000</b>      | <b>\$ 8,197,895</b> |

# American Players Theatre of Wisconsin, Inc.

## Statements of Cash Flows

December 31, 2012 and 2011

|  | 2012         | 2011       |
|--|--------------|------------|
| Increase (decrease) in cash:   |              |            |
| Cash flows from operating activities:  |              |            |
| Changes in net assets  | (\$ 204,538) | \$ 348,776 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |              |            |
| Depreciation   | 332,574      | 327,012    |
| Donated equipment  | 0            | ( 11,676)  |
| (Gain) loss in interest in net assets of the endowment                                       | ( 18,293)    | 25,681     |
| Discount on pledges receivable   | ( 734)       | ( 6,526)   |
| Write-off of pledges receivable  | 20,900       | 2,798      |
| Changes in operating assets and liabilities:   |              |            |
| Accounts receivable  | 12,462       | ( 5,267)   |
| Prepaid expenses   | ( 13,187)    | 18,821     |
| Gift shop inventory  | 5,003        | ( 8,128)   |
| Cash restricted for security deposit   | 0            | ( 61,200)  |
| Accounts payable   | ( 36,346)    | 22,511     |
| Other accrued expenses   | ( 672)       | ( 1,553)   |
| Deferred ticket revenue  | 9            | 1,256      |
| Net cash provided by operating activities  | 97,178       | 652,505    |
| Cash flows from investing activities:  |              |            |
| Purchase of property and equipment   | ( 75,379)    | ( 245,880) |
| Net cash used in investing activities  | ( 75,379)    | ( 245,880) |
| Cash flows from financing activities:  |              |            |
| Contribution of pledges receivable   | ( 125)       | ( 38,500)  |
| Collection of pledges receivable   | 166,984      | 383,657    |
| Principal payments on note payable   | 0            | ( 650,000) |
| Net cash provided by (used in) financing activities  | 166,859      | ( 304,843) |
| Net changes in cash  | 188,658      | 101,782    |
| Cash - Beginning of year   | 288,026      | 186,244    |
| Cash - End of year   | \$ 476,684   | \$ 288,026 |
| <b>Supplemental schedule of other cash activities:</b>                                       |              |            |
| Interest paid and expensed   | \$ 0         | \$ 3,684   |

See accompanying notes to financial statements.



# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### **Note 1      Summary of Significant Accounting Policies**

#### **Nature and Purpose of Organization**

American Players Theatre of Wisconsin, Inc. (APT) is a nonprofit professional theater company. They produce nine productions annually, five in the 1,148-seat outdoor amphitheater and four in the Touchstone Theatre, a 201-seat indoor space. The season has more than 210 performances and runs from June through December.

APT's work focuses on classics with an emphasis on Shakespeare, but also includes the work of other classical and contemporary playwrights. Central to APT's mission is a commitment to making these great works accessible to as wide and varied an audience as possible, and educating younger generations in the joy of these classic plays. With an annual attendance of over 100,000, APT ranks as one of the country's largest outdoor theaters devoted to the classics. The organization relies on ticket sales, grants, and contributions as significant sources of revenue.

#### **Basis of Presentation**

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of APT and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of APT and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by APT. Generally, the donors of these assets permit APT to use all or part of the income earned on any related investments for general or specific purposes.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Pledges Receivable**

Unconditional promises to give are recognized as revenue in the period received and as a corresponding asset, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management considers these receivables to be collectible, and therefore, no allowance for uncollectible amounts has been recorded. If an amount becomes delinquent after all collection efforts have failed, the account is written off.

#### **Accounts Receivable**

Accounts receivable represent amounts due from patrons who purchased tickets using credit. Amounts are reviewed for collectibility by management, and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. Management considers these receivables to be collectible, and therefore, no allowance for uncollectible amounts has been recorded. If an amount becomes delinquent after all collection efforts have failed, the account is written off.

#### **Gift Shop Inventory**

Gift shop inventory is recorded at cost as items are purchased. This inventory consists of books, clothing and accessories, food, games, stationary, and toys. Inventory is recorded on the first in, first out (FIFO) basis.

#### **Costume Collection**

APT owns a costume collection, the majority of which was constructed by APT employees. APT expenses the costs of obtaining or producing props, costumes, wigs, and sets in the year the costs are incurred. Accordingly, the value of the collection is not reflected as an asset on the statements of financial position.

#### **Interest in Net Assets of the Endowment**

APT has an ongoing economic interest in the net assets of American Players Theatre Endowment Trust and furthermore has residual rights to those net assets. The endowment's mission is to enable all persons interested in the programs of APT to combine contributions by gift, bequest, devise, or other transfer in a single fund for the support of APT. Accordingly, APT recognizes its interest in the net assets of the endowment, which is included in the accompanying statements of financial position as interest in net assets of the endowment. APT recognizes changes in its interest in net assets of the endowment and presents those changes in the accompanying statements of activities.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements**

APT measures the fair value of its investments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that APT has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

#### **Property and Equipment**

Property and equipment are recorded at cost. Equipment is defined as an item which has a cost of \$5,000 or more and a useful life extending beyond one year. Depreciation of capitalized property and equipment is computed using the straight-line and double declining methods over lives ranging from three to thirty-nine years.

#### **Deferred Ticket Revenue**

Deferred ticket revenue represents amounts received for future theatre performances. Revenue is recognized when performances occur.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to APT that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as released from restriction. If a restriction is met in the same period that the contribution is received, the contribution is recorded as unrestricted.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

#### **Functional Allocation of Expenses**

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

#### **Income Taxes**

APT is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise and income tax.

Income from certain activities not directly related to APT's tax-exempt purpose may be subject to taxation as unrelated business income. The advertising income derived from APT's playbill is considered unrelated business income.

APT is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. APT has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service.

#### **Contributed Services**

A financial accounting standard requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded.

A substantial number of unpaid volunteers have made significant contributions of their time to APT's programs, principally in support services and fund-raising efforts. The value of this contributed time is not reflected in these financial statements since these services do not meet criteria for recognition as described in the above definition.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### Note 1 Summary of Significant Accounting Policies (Continued)

#### Advertising

APT expenses advertising costs in the year the advertising first takes place. Total advertising expense for the years ended December 31, 2012 and 2011 were \$67,525 and \$67,080, respectively.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

#### Subsequent Events

Subsequent events have been evaluated through May 8, 2013, which is the date the financial statements were available to be issued.

### Note 2 Concentration of Credit Risk

APT maintains cash balances at one financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes this financial institution has a strong credit rating and credit risk related to these deposits is minimal.

### Note 3 Cash Restricted for Security Deposit

APT was required by the Actors' Equity Association to make a deposit to cover the total weekly salary for actors in the case APT is unable to pay the salaries. As of December 31, 2012 and 2011, the balance was \$61,200.

### Note 4 Pledges Receivable

Pledges receivable are unconditional promises to give. Management feels that the pledges receivable are fully collectible and, therefore, no allowance for uncollectible amounts has been established. The present value of the outstanding pledge receivable balance for 2012 and 2011 were discounted at a rate of 5%. A breakdown of pledges receivable by purpose is as follows:

|  | <b>2012</b>      | <b>2011</b>       |
|--|------------------|-------------------|
| Pledges receivable for capital improvement | \$ 42,262        | \$ 196,484        |
| Pledges receivable for operations          | 2,625            | 18,060            |
| Subtotals                                  | 44,887           | 214,544           |
| Less:                                      |                  |                   |
| Present value discount                     | ( 8)             | ( 742)            |
| Write-off of uncollectible pledges         | ( 20,900)        | ( 2,798)          |
| <b>Totals</b>                              | <b>\$ 23,979</b> | <b>\$ 211,004</b> |

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### Note 4 Pledges Receivable (Continued)

Future maturities on the pledges receivable are as follows:

|                               | <u>2012</u>      |
|-------------------------------|------------------|
| 2013                          | \$ 23,812        |
| 2014                          | 175              |
| Subtotal                      | 23,987           |
| Less - Present value discount | ( 8)             |
| <u>Total</u>                  | <u>\$ 23,979</u> |
| Current portion               | \$ 23,812        |
| Long-term portion             | 167              |
| <u>Total</u>                  | <u>\$ 23,979</u> |

### Note 5 Investment Held by Others - Endowment

Accounting Standards Codification (ASC) 958-605 in regards to *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, requires, among other things, that assets held by a related not-for-profit solely for the benefit of another not-for-profit (beneficiary) be recorded on the beneficiary's not-for-profit financial statements. The value of the assets is to be recorded on the statements of financial position as a long-term asset with a corresponding restricted net asset balance. Any change in the net asset value during the fiscal period is to be recorded in the statements of activities as an increase or decrease in net assets.

ASC 958 "Not-For-Profit Entities," in regards to *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. ASC 958 also requires additional disclosures for organizations subject to UPMIFA to enable users of the financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of an organization's endowment funds, both donor-restricted and board-designated.

#### Donor-Designated Endowment

During an earlier period, a donor-restricted endowment trust was setup with an initial donation of \$100,000. The trust agreement states that the endowment will hold and invest the funds for the sole benefit of APT. The trust agreement indicates that the Trustees will meet yearly and consider funding requests from APT. Under the trust agreement, the principal balance is to remain intact and only the income may be distributed.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

### Note 5 Investment Held by Others – Endowment (Continued)

Changes in endowment funds were as follows:

|   | Temporarily<br>Restricted | Permanently<br>Restricted | Total      |
|---|---------------------------|---------------------------|------------|
| Endowment at January 1, 2011                          | \$ 70,249                 | \$ 100,000                | \$ 170,249 |
| Interest and dividends                                | 6,918                     | 0                         | 6,918      |
| Net depreciation                                      | ( 29,749)                 | 0                         | ( 29,749)  |
| Total investment return                               | ( 22,831)                 | 0                         | ( 22,831)  |
| Appropriation of endowment assets<br>for expenditures | ( 2,850)                  | 0                         | ( 2,850)   |
| Endowment at December 31, 2011                        | \$ 44,568                 | \$ 100,000                | \$ 144,568 |
| Interest and dividends                                | 2,278                     | 0                         | 2,278      |
| Net appreciation                                      | 21,851                    | 0                         | 21,851     |
| Total investment return                               | 24,129                    | 0                         | 24,129     |
| Appropriation of endowment assets<br>for expenditures | ( 5,836)                  | 0                         | ( 5,836)   |
| Endowment at December 31, 2012                        | \$ 62,861                 | \$ 100,000                | \$ 162,861 |

### Note 6 Fair Value Measurements

APT uses a fair value hierarchy that includes three levels of inputs to be used to measure fair value. APT has determined that the fair value for the endowment fund held by foundation is a Level 1 financial instrument. Quotes from pricing vendors based on recent trading activity and other observable market data were used in making this determination. APT does not have any financial instruments valued using Level 2 or Level 3 inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while APT believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

### Note 6 Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31, 2012 and 2011 is as follows:

|                                   | <b>2012</b>                                    |   |  |  |
|-----------------------------------|--|---|--|--|
|                                   | <b>Recurring Fair Value Measurements Using</b> |   |  |  |
|                                   | <b>Assets Measured at Fair Value</b>           | <b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b> | <b>Significant Other Observable Inputs (Level 2)</b> | <b>Significant Unobservable Inputs (Level 3)</b> |
| Endowment Fund held by Foundation | \$ 162,861                                     | \$ 162,861  | \$ 0   | \$0  |

|                                   | <b>2011</b>                                    |   |  |  |
|-----------------------------------|--|---|--|--|
|                                   | <b>Recurring Fair Value Measurements Using</b> |   |  |  |
|                                   | <b>Assets Measured at Fair Value</b>           | <b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b> | <b>Significant Other Observable Inputs (Level 2)</b> | <b>Significant Unobservable Inputs (Level 3)</b> |
| Endowment Fund held by Foundation | \$ 144,568                                     | \$ 144,568  | \$ 0   | \$0  |

APT does not have any liabilities measured at fair value on a recurring basis nor any assets or liabilities measured at fair value on a nonrecurring basis.

### Note 7 Property and Equipment

A summary of property and equipment is as follows:

|                                    | <b>2012</b>         | <b>2011</b>         |
|------------------------------------|---------------------|---------------------|
| Land                               | \$ 412,316          | \$ 412,316          |
| Buildings, stage, and sets         | 8,978,065           | 8,978,065           |
| Light and sound equipment          | 103,287             | 81,731              |
| Vehicles                           | 156,330             | 143,592             |
| Equipment                          | 544,629             | 470,898             |
| Construction in progress           | 26,110              | 58,756              |
| Total cost                         | 10,220,737          | 10,145,358          |
| Accumulated depreciation           | ( 3,053,637)        | ( 2,721,063)        |
| <b>Property and equipment, net</b> | <b>\$ 7,167,100</b> | <b>\$ 7,424,295</b> |



# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### **Note 8      Loan Obligations**

APT had a \$650,000 revolving business note with BMO Harris Bank. The note was collateralized by essentially all business assets of APT and was due December 2012. Interest only payments were due monthly at BMO Harris Bank's prime rate (the rate at December 31, 2012, was 4.5%). As of December 31, 2012 and 2011, there was no outstanding balance.

### **Note 9      Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

|   | <b>2012</b>       | <b>2011</b>       |
|---|-------------------|-------------------|
| Pledges receivable  | \$ 23,979         | \$ 211,004        |
| Income earned on the interest in net assets<br>of the endowment | 62,861            | 44,568            |
| Cash received for future operations                             | 64,154            | 105,746           |
| <b>Totals</b>   | <b>\$ 150,994</b> | <b>\$ 361,318</b> |

### **Note 10      Permanently Restricted Net Assets**

Permanently restricted net assets of \$100,000 at December 31, 2012 and 2011, were originated from an endowment contribution.

### **Note 11      Community Foundation**

In prior years, donors gifted funds to the Madison Community Foundation (MCF) for the purpose of establishing an APT fund. The fair value of the fund is \$43,374 and \$39,615 at December 31, 2012 and 2011, respectively. The agreement indicates that MCF will hold the funds in an APT fund and, therefore, are not reflected in APT's financial statements.

### **Note 12      Operating Lease Agreements**

APT leases various properties for the purpose of housing seasonal actors as well as office equipment for use in the main office. Monthly lease payments range from \$80 to \$900 and have various expiration dates from October 31, 2012 to October 31, 2017. Lease expense for the years ended December 31, 2012 and 2011, were \$184,348 and \$171,904, respectively.

# American Players Theatre of Wisconsin, Inc.

## Notes to the Financial Statements

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### **Note 12**      **Operating Lease Agreements (Continued)**

Future minimum lease requirements are as follows:

|              |                   |
|--------------|-------------------|
| 2013         | \$ 153,400        |
| 2014         | 95,524            |
| 2015         | 74,796            |
| 2016         | 76,632            |
| 2017         | 78,516            |
| Thereafter   | 1,320             |
| <hr/>        |                   |
| <b>Total</b> | <b>\$ 480,188</b> |

### **Note 13**      **Employee Retirement Plan**

APT has a retirement plan that covers all permanent full-time employees who work a minimum of 1,000 hours per year and have been employed for one year. The pension plan is invested in individual employee 403(b) accounts. The retirement benefits are fully vested with the plan participant at the time the funds are contributed.

Contributions for the plan were \$34,625 and \$41,193 for the years ended December 31, 2012 and 2011, respectively. Future employer contributions are discretionary and determined annually subject to APT's profitability and plan limitations.

# **Supplementary Information**

# American Players Theatre of Wisconsin, Inc.

## Schedule A-1

### Schedule of Functional Expenses

Year Ended December 31, 2012

|                                 | Artistic and<br>Production | Marketing and<br>Patron Services | General and<br>Administrative | Fundraising       | Education        | Total               |
|---------------------------------|----------------------------|----------------------------------|-------------------------------|-------------------|------------------|---------------------|
| Salaries, taxes, and benefits   | \$ 1,898,293               | \$ 402,351                       | \$ 441,308                    | \$ 300,315        | \$ 68,795        | \$ 3,111,062        |
| Fees and royalties              | 319,614                    | 116,286                          | 13,265                        | 0                 | 0                | 449,165             |
| Travel and living expenses      | 295,580                    | 1,775                            | 6,844                         | 3,245             | 9,073            | 316,517             |
| Other expenses                  | 25,420                     | 1,977                            | 23,810                        | 4,009             | 0                | 55,216              |
| Production materials            | 131,138                    | 0                                | 0                             | 0                 | 0                | 131,138             |
| Supplies                        | 31,057                     | 9,479                            | 30,940                        | 0                 | 0                | 71,476              |
| Advertising expenses            | 0                          | 67,525                           | 0                             | 0                 | 0                | 67,525              |
| Publicity and promotions        | 0                          | 14,285                           | 0                             | 0                 | 0                | 14,285              |
| Sales campaigns                 | 0                          | 101,238                          | 0                             | 0                 | 0                | 101,238             |
| Audience services               | 0                          | 29,766                           | 0                             | 0                 | 0                | 29,766              |
| Credit card commissions         | 0                          | 80,023                           | 0                             | 0                 | 0                | 80,023              |
| Cost of goods                   | 0                          | 149,744                          | 0                             | 0                 | 0                | 149,744             |
| IT and office equipment         | 0                          | 0                                | 43,217                        | 0                 | 0                | 43,217              |
| Utilities                       | 0                          | 0                                | 103,172                       | 0                 | 0                | 103,172             |
| Property & equip. maintenance   | 27,273                     | 879                              | 102,061                       | 0                 | 0                | 130,213             |
| Administrative                  | 0                          | 9,587                            | 37,796                        | 0                 | 0                | 47,383              |
| Insurance                       | 0                          | 0                                | 60,537                        | 0                 | 0                | 60,537              |
| Donor relations                 | 0                          | 0                                | 0                             | 8,387             | 0                | 8,387               |
| Direct mail                     | 0                          | 0                                | 0                             | 36,090            | 0                | 36,090              |
| Programming                     | 0                          | 0                                | 0                             | 0                 | 19,291           | 19,291              |
| Special events                  | 0                          | 10,100                           | 0                             | 570               | 0                | 10,670              |
| <b>Total operating expenses</b> | <b>2,728,375</b>           | <b>995,015</b>                   | <b>862,950</b>                | <b>352,616</b>    | <b>97,159</b>    | <b>5,036,115</b>    |
| Depreciation                    | 0                          | 0                                | 332,574                       | 0                 | 0                | 332,574             |
| <b>Total expenses</b>           | <b>\$ 2,728,375</b>        | <b>\$ 995,015</b>                | <b>\$ 1,195,524</b>           | <b>\$ 352,616</b> | <b>\$ 97,159</b> | <b>\$ 5,368,689</b> |

See Independent Auditor's Report.

# American Players Theatre of Wisconsin, Inc.

## Schedule A-2

### Schedule of Functional Expenses

Year Ended December 31, 2011

|                                 | Artistic and<br>Production | Marketing and<br>Patron Services | General and<br>Administrative | Fundraising       | Education        | Total               |
|---------------------------------|----------------------------|----------------------------------|-------------------------------|-------------------|------------------|---------------------|
| Salaries, taxes, and benefits   | \$ 1,817,818               | \$ 381,122                       | \$ 453,103                    | \$ 261,208        | \$ 70,379        | \$ 2,983,630        |
| Fees and royalties              | 314,051                    | 121,663                          | 12,140                        | 0                 | 0                | 447,854             |
| Travel and living expenses      | 286,863                    | 369                              | 7,533                         | 2,125             | 9,496            | 306,386             |
| Other expenses                  | 23,650                     | 2,998                            | 6,499                         | 4,815             | 0                | 37,962              |
| Production materials            | 110,470                    | 0                                | 0                             | 0                 | 0                | 110,470             |
| Supplies                        | 28,871                     | 6,399                            | 29,721                        | 0                 | 0                | 64,991              |
| Advertising expenses            | 0                          | 67,080                           | 0                             | 0                 | 0                | 67,080              |
| Publicity and promotions        | 0                          | 15,061                           | 0                             | 0                 | 0                | 15,061              |
| Sales campaigns                 | 0                          | 121,881                          | 0                             | 0                 | 0                | 121,881             |
| Audience services               | 0                          | 30,713                           | 0                             | 0                 | 0                | 30,713              |
| Credit card commissions         | 0                          | 107,181                          | 0                             | 0                 | 0                | 107,181             |
| Cost of goods                   | 0                          | 162,891                          | 0                             | 0                 | 0                | 162,891             |
| IT and office equipment         | 0                          | 0                                | 36,035                        | 0                 | 0                | 36,035              |
| Utilities                       | 0                          | 0                                | 97,166                        | 0                 | 0                | 97,166              |
| Property & equip. maintenance   | 29,620                     | 2,463                            | 109,754                       | 0                 | 0                | 141,837             |
| Administrative                  | 0                          | 9,664                            | 37,662                        | 0                 | 0                | 47,326              |
| Interest                        | 0                          | 0                                | 3,684                         | 0                 | 0                | 3,684               |
| Insurance                       | 0                          | 0                                | 56,535                        | 0                 | 0                | 56,535              |
| Donor relations                 | 0                          | 0                                | 0                             | 7,529             | 0                | 7,529               |
| Direct mail                     | 0                          | 0                                | 0                             | 28,205            | 0                | 28,205              |
| Programming                     | 0                          | 0                                | 0                             | 0                 | 17,529           | 17,529              |
| Special events                  | 0                          | 0                                | 0                             | 541               | 0                | 541                 |
| <b>Total operating expenses</b> | <b>2,611,343</b>           | <b>1,029,485</b>                 | <b>849,832</b>                | <b>304,423</b>    | <b>97,404</b>    | <b>4,892,487</b>    |
| Depreciation                    | 0                          | 0                                | 327,012                       | 0                 | 0                | 327,012             |
| <b>Total expenses</b>           | <b>\$ 2,611,343</b>        | <b>\$ 1,029,485</b>              | <b>\$ 1,176,844</b>           | <b>\$ 304,423</b> | <b>\$ 97,404</b> | <b>\$ 5,219,499</b> |

See Independent Auditor's Report.