

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Spring Green, Wisconsin

Consolidated Financial Statements and
Supplementary Information
Years Ended December 31, 2013 and 2012

American Players Theatre of Wisconsin, Inc. and Subsidiaries

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Players Theatre of Wisconsin, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Players Theatre of Wisconsin, Inc. and Subsidiaries as of December 31, 2013 and 2012, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin
May 7, 2014

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash	\$ 504,655	\$ 476,684
Pledges receivable, current portion	6,950	23,812
Accounts receivable	26,332	12,511
Prepaid expenses	155,529	155,945
Gift shop inventory	33,033	47,108
Total current assets	726,499	716,060
Other assets:		
Cash restricted for security deposit	61,200	61,200
Interest in net assets of the endowment	192,812	162,861
Pledges receivable	0	167
Total other assets	254,012	224,228
Property and equipment	11,074,532	10,220,737
Less: accumulated depreciation	(3,386,979)	(3,053,637)
Property and equipment, net	7,687,553	7,167,100
TOTAL ASSETS	\$ 8,668,064	\$ 8,107,388
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Current portion of long-term debt	\$ 21,999	\$ 0
Accounts payable	42,987	41,856
Other accrued expenses	44,557	39,519
Deferred ticket revenue	36,572	32,656
Total current liabilities	146,115	114,031
Long-term liabilities:		
Notes payable	529,790	0
Total liabilities	675,905	114,031
Net assets:		
Unrestricted net assets (deficit)	(148,618)	475,263
Unrestricted net assets - Property and equipment	7,687,552	7,167,100
Board designated net assets	100,000	100,000
Total unrestricted net assets	7,638,934	7,742,363
Temporarily restricted net assets	253,225	150,994
Permanently restricted net assets	100,000	100,000
Total net assets	7,992,159	7,993,357
TOTAL LIABILITIES AND NET ASSETS	\$ 8,668,064	\$ 8,107,388

See accompanying notes to consolidated financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2013 and 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Ticket sales	\$ 3,383,939	\$ 0	\$ 0	\$ 3,383,939
Sponsorship fees	80,432	0	0	80,432
Concession revenue	478,281	0	0	478,281
Tours and education	58,264	0	0	58,264
Investment income	1,342	0	0	1,342
Other	56,595	0	0	56,595
Total operating revenue	4,058,853	0	0	4,058,853
Operating expenses:				
Artistic and production	2,984,896	0	0	2,984,896
Marketing and patron services	1,027,686	0	0	1,027,686
General and administrative	922,154	0	0	922,154
Fund-raising	398,357	0	0	398,357
Education	99,428	0	0	99,428
Total operating expenses	5,432,521	0	0	5,432,521
Loss from operations	(1,373,668)	0	0	(1,373,668)
Support:				
Contributions for operations	1,337,305	103,463	0	1,440,768
Contributions for capital improvements	142,808	48,150	0	190,958
Grants	48,490	0	0	48,490
Gain on net assets of the endowment	0	29,951	0	29,951
Net assets released from restrictions for operations	66,780	(66,780)	0	0
Net assets released from restrictions for capital improvements	12,553	(12,553)	0	0
Total support	1,607,936	102,231	0	1,710,167
Income from current activities	234,268	102,231	0	336,499
Depreciation expense	337,697	0	0	337,697
Changes in net assets	(103,429)	102,231	0	(1,198)
Net assets - Beginning of year	7,742,363	150,994	100,000	7,993,357
Net assets - End of year	\$ 7,638,934	\$ 253,225	\$ 100,000	\$ 7,992,159

See accompanying notes to consolidated financial statements.

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
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
Total operating revenue	3,854,721	0	0	3,854,721
Operating expenses:				
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
Total operating expenses	5,036,115	0	0	5,036,115
Loss from operations	(1,181,394)	0	0	(1,181,394)
Support:				
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
Loss 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
Total support	1,519,754	(210,324)	0	1,309,430
Income from current activities	338,360	(210,324)	0	128,036
Depreciation expense	332,574	0	0	332,574
Changes in net assets	5,786	(210,324)	0	(204,538)
Net assets - Beginning of year	7,736,577	361,318	100,000	8,197,895
Net assets - End of year	\$ 7,742,363	\$ 150,994	\$ 100,000	\$ 7,993,357

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Increase (decrease) in cash:		
Cash flows from operating activities:		
Changes in net assets	(\$ 1,198)	(\$ 204,538)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	337,697	332,574
Gain in interest in net assets of the endowment	(29,951)	(18,293)
Discount on pledges receivable	(8)	(734)
Write-off of pledges receivable	1,850	20,900
Changes in operating assets and liabilities:		
Accounts receivable	(13,821)	12,462
Prepaid expenses	416	(13,187)
Gift shop inventory	14,075	5,003
Accounts payable	1,131	(36,346)
Other accrued expenses	5,038	(672)
Deferred ticket revenue	3,916	9
Net cash provided by operating activities	319,145	97,178
Cash flows from investing activities:		
Purchase of property and equipment	(294,150)	(75,379)
Net cash used in investing activities	(294,150)	(75,379)
Cash flows from financing activities:		
Contribution of pledges receivable	0	(125)
Collection of pledges receivable	15,187	166,984
Principal payments on notes payable	(12,211)	0
Net cash provided by financing activities	2,976	166,859
Net changes in cash	27,971	188,658
Cash - Beginning of year	476,684	288,026
Cash - End of year	\$ 504,655	\$ 476,684
Supplemental schedule of other cash activities:		
Interest paid and expensed	\$ 13,481	\$ 0
Supplemental schedule of noncash investing and financing activities:		
Property acquired with debt	\$ 564,000	\$ 0

See accompanying notes to consolidated financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature and Purpose of Organizations

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. APT relies on ticket sales, grants, and contributions as significant sources of revenue.

During the year ended December 31, 2013, APT formed two wholly owned subsidiaries, APT Baltimore Street Apartments, LLC and APT Cole Street Apartments, LLC. These subsidiaries were formed to manage the apartment buildings purchased by APT. The apartment buildings were purchased to provide housing to visiting company members during the theater season.

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.

Principles of Consolidation

These financial statements are consolidated and include the accounts of APT, APT Baltimore Street Apartments, LLC and APT Cole Street Apartments, LLC. All three entities are referred to as (the "Organizations"). All material inter-company transactions and accounts are eliminated in consolidation.

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 consolidated statements of activities as net assets released from restrictions.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

Classification of Net Assets (Continued)

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 consolidated 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.

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 collectability 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 consolidated statements of financial position.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

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 consolidated 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 consolidated statements of activities.

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

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.

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 consolidated 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 consolidated 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.

APT Baltimore Street Apartments, LLC and APT Cole Street Apartments, LLC are sole member LLC's, and therefore, treated as disregarded entities for tax purposes. The activity of APT Baltimore Street Apartments, LLC and APT Cole Street Apartments, LLC is included in APT's annual federal and state returns.

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 has debt financed income generated from the APT Baltimore Street Apartments, LLC and APT Cole Street Apartments, LLC properties which is subject to taxation as unrelated business income.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

Income Taxes (Continued)

The Organizations are 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 2010 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 consolidated financial statements since these services do not meet criteria for recognition as described in the above definition.

Advertising

APT expenses advertising costs in the year the advertising first takes place. Total advertising expense for the years ended December 31, 2013 and 2012 were \$62,806 and \$67,525, 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 7, 2014, 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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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, 2013 and 2012, 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 2013 and 2012 were discounted at a rate of 5%. A breakdown of pledges receivable by purpose is as follows:

	2013	2012
Pledges receivable for capital improvement	\$ 8,800	\$ 42,262
Pledges receivable for operations	0	2,625
Subtotals	8,800	44,887
Less:		
Present value discount	(0)	(8)
Write-off of uncollectible pledges	(1,850)	(20,900)
Totals	\$ 6,950	\$ 23,979

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 5 Investment Held by Others - Endowment (Continued)

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.

Changes in endowment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment at January 1, 2012	\$ 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 for expenditures	(5,836)	0	(5,836)
Endowment at December 31, 2012	\$ 62,861	\$ 100,000	\$ 162,861
Interest and dividends	2,089	0	2,089
Net appreciation	27,862	0	27,862
Total investment return	29,951	0	192,812
Appropriation of endowment assets for expenditures	(0)	0	(0)
<u>Endowment at December 31, 2013</u>	<u>\$ 92,812</u>	<u>\$ 100,000</u>	<u>\$ 192,812</u>

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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.

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, is as follows:

	2013			
	Assets Measured at Fair Value	Recurring Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)		
Significant Other Observable Inputs (Level 2)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Endowment Fund held by Foundation	\$ 192,812	\$192,812	\$ 0	\$0

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

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 7 Property and Equipment

A summary of property and equipment is as follows:

	2013	2012
Land	\$ 559,316	\$ 412,316
Buildings, stage, and sets	9,544,171	8,978,065
Light and sound equipment	121,162	103,287
Vehicles	156,330	156,330
Equipment	560,565	544,629
Construction in progress	132,988	26,110
Total cost	11,074,532	10,220,737
Accumulated depreciation	(3,386,979)	(3,053,637)
<u>Property and equipment, net</u>	<u>\$ 7,687,553</u>	<u>\$ 7,167,100</u>

Note 8 Notes Payable

APT has the following notes payable as of December 31:

	2013	2012
Note payable to The Peoples Community Bank at 4.05% with monthly payments including principal and interest of \$2,263.81, due May 2018, and collateralized by the Baltimore Apartments real estate.	\$ 291,287	\$ 0
Note payable to The Peoples Community Bank at 4.03% with monthly payments including principal and interest of \$703.28, due May 2018, and collateralized by the Cole Street Apartments real estate.	130,251	0
Note payable to The Peoples Community Bank at 4.03% with monthly payments including principal and interest of \$703.28, due May 2018, and collateralized by the Cole Street Apartments real estate.	130,251	0
Total notes payable	551,789	0
Current maturities of notes payable	(21,999)	(0)
<u>Long-term maturities of notes payable</u>	<u>\$ 529,790</u>	<u>\$ 0</u>

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 8 **Notes Payable (Continued)**

Scheduled principal payments on long-term debt at December 31, 2013, including current maturities, are summarized as follows:

2014	\$	21,999
2015		22,929
2016		23,849
2017		24,864
2018		458,148
<hr/>		
Total	\$	551,789

Note 9 **Revolving Business Note**

APT maintains a revolving business note with The Peoples Community Bank in the amount of \$600,000 with a variable interest rate of 4% plus the Index Rate. The Index Rate is defined as the average of the previous month's 13 week Treasury bill auction adjusted on the first business day of each month. The rate at December 31, 2013, was 4.065%. The note matures May 17, 2014. The note is collateralized by essentially all business assets of APT. As of December 31, 2013 and 2012, there was no outstanding balance.

Note 10 **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	2013	2012
Pledges receivable	\$ 6,950	\$ 23,979
Income earned on the interest in net assets of the endowment	92,812	62,861
Cash received for future operations	153,463	64,154
<hr/>		
Totals	\$ 253,225	\$ 150,994

Note 11 **Permanently Restricted Net Assets**

Permanently restricted net assets of \$100,000 at December 31, 2013 and 2012, were originated from an endowment contribution.

Note 12 **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 \$48,350 and \$43,374 at December 31, 2013 and 2012, respectively. The agreement indicates that MCF will hold the funds in an APT fund, and therefore, are not reflected in APT's financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 13 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 \$110 to \$1,000 and have various expiration dates from October 31, 2014 to April 26, 2018. Lease expense for the years ended December 31, 2013 and 2012, were \$203,455 and \$184,348, respectively.

Future minimum lease requirements are as follows:

2014	\$ 148,232
2015	80,794
2016	82,630
2017	84,514
2018	1,999
<hr/>	
Total	\$ 398,169

Note 14 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 \$48,122 and \$34,625 for the years ended December 31, 2013 and 2012, 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. and Subsidiaries

Schedule A-1

Consolidated Schedule of Functional Expenses

Year Ended December 31, 2013

	Artistic and Production	Marketing and Patron Services	General and Administrative	Fundraising	Education	Total
Salaries, taxes, and benefits	\$ 2,052,120	\$ 419,570	\$ 458,437	\$ 350,283	\$ 74,157	\$ 3,354,567
Fees and royalties	369,337	118,116	13,690	0	0	501,143
Travel and living expenses	346,686	1,699	12,652	2,867	7,654	371,558
Other expenses	25,611	2,679	10,086	2,918	0	41,294
Production materials	133,542	0	0	0	0	133,542
Supplies	35,430	7,372	23,546	0	0	66,348
Advertising expenses	0	62,806	0	0	0	62,806
Publicity and promotions	0	18,661	0	0	0	18,661
Sales campaigns	0	121,039	0	0	0	121,039
Audience services	0	31,803	0	0	0	31,803
Credit card commissions	0	87,441	0	0	0	87,441
Cost of goods	0	146,505	0	0	0	146,505
IT and office equipment	0	0	45,765	0	0	45,765
Utilities	0	0	105,286	0	0	105,286
Property & equip. maintenance	22,170	147	114,959	0	0	137,276
Administrative	0	9,848	54,350	0	0	64,198
Interest	0	0	13,481	0	0	13,481
Insurance	0	0	69,902	0	0	69,902
Donor relations	0	0	0	9,161	0	9,161
Direct mail	0	0	0	32,859	0	32,859
Programming	0	0	0	0	17,617	17,617
Special events	0	0	0	269	0	269
Total operating expenses	2,984,896	1,027,686	922,154	398,357	99,428	5,432,521
Depreciation	0	0	337,697	0	0	337,697
Total expenses	\$ 2,984,896	\$ 1,027,686	\$ 1,259,851	\$ 398,357	\$ 99,428	\$ 5,770,218

See Independent Auditor's Report.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Schedule A-2

Consolidated Schedule of Functional Expenses

Year Ended December 31, 2012

	Artistic and Production	Marketing and Patron Services	General and 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
Total operating expenses	2,728,375	995,015	862,950	352,616	97,159	5,036,115
Depreciation	0	0	332,574	0	0	332,574
Total expenses	\$ 2,728,375	\$ 995,015	\$ 1,195,524	\$ 352,616	\$ 97,159	\$ 5,368,689

See Independent Auditor's Report.