

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Spring Green, Wisconsin

Consolidated Financial Statements and
Supplementary Information
Years Ended December 31, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedule of functional expenses, Schedules A-1 to A-2, and the consolidating statement of financial position and activities, appearing on pages 20 and 21, 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 as a whole.



Wipfli LLP

Madison, Wisconsin
May 8, 2015

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 757,765	\$ 504,655
Pledges receivable, current portion	288,150	6,950
Accounts receivable	49,676	26,332
Prepaid expenses	214,994	155,529
Gift shop inventory	43,758	33,033
Total current assets	1,354,343	726,499
Other assets:		
APT Foundation investments	109,084	0
Cash restricted for security deposit	61,200	61,200
Interest in net assets of the endowment	198,155	192,812
Pledges receivable	775,075	0
Total other assets	1,143,514	254,012
Property and equipment	11,414,531	11,074,532
Less: accumulated depreciation	(3,729,089)	(3,386,979)
Property and equipment, net	7,685,442	7,687,553
TOTAL ASSETS	\$ 10,183,299	\$ 8,668,064
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Line of credit	\$ 400,000	\$ 0
Current portion of long-term debt	0	21,999
Accounts payable	86,058	42,987
Other accrued expenses	31,045	44,557
Deferred ticket revenue	38,814	36,572
Total current liabilities	555,917	146,115
Long-term liabilities:		
Notes payable	0	529,790
Total liabilities	555,917	675,905
Net assets:		
Unrestricted net assets (deficit)	(206,230)	(148,618)
Unrestricted net assets - Property and equipment	7,685,442	7,687,552
Board designated net assets	213,500	100,000
Total unrestricted net assets	7,692,712	7,638,934
Temporarily restricted net assets	1,834,670	253,225
Permanently restricted net assets	100,000	100,000
Total net assets	9,627,382	7,992,159
TOTAL LIABILITIES AND NET ASSETS	\$ 10,183,299	\$ 8,668,064

See accompanying notes to consolidated financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Ticket sales	\$ 3,671,482	\$ 0	\$ 0	\$ 3,671,482
Sponsorship fees	83,853	0	0	83,853
Concession revenue	502,140	0	0	502,140
Education revenue	62,533	0	0	62,533
Investment income	800	0	0	800
Other	57,981	0	0	57,981
Total operating revenue	4,378,789	0	0	4,378,789
Operating expenses:				
Artistic and production	3,034,819	0	0	3,034,819
Marketing and patron services	1,063,237	0	0	1,063,237
General and administrative	1,023,668	0	0	1,023,668
Fund-raising	427,904	0	0	427,904
Education	96,390	0	0	96,390
Total operating expenses	5,646,018	0	0	5,646,018
Loss from operations	(1,267,229)	0	0	(1,267,229)
Support:				
Contributions for operations	1,191,784	110,694	0	1,302,478
Contributions for capital improvements,	107,388	1,625,570	0	1,732,958
Grants	91,200	0	0	91,200
Contributions for APT Foundation	113,500	0	0	113,500
Loss on APT Foundation investments	(917)	0	0	(917)
Gain on net assets of endowments	0	5,343	0	5,343
Net assets released from restrictions for operations	103,462	(103,462)	0	0
Net assets released from restrictions for capital improvements	56,700	(56,700)	0	0
Total support	1,663,117	1,581,445	0	3,244,562
Income from current activities	395,888	1,581,445	0	1,977,333
Depreciation expense	342,110	0	0	342,110
Changes in net assets	53,778	1,581,445	0	1,635,223
Net assets - Beginning of year	7,638,934	253,225	100,000	7,992,159
Net assets - End of year	\$ 7,692,712	\$ 1,834,670	\$ 100,000	\$ 9,627,382

See accompanying notes to consolidated financial statements.

	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
Education revenue	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	922,969	0	0	922,969
Fund-raising	397,542	0	0	397,542
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
Contributions for APT Foundation	0	0	0	0
Loss on investments	0	0	0	0
Gain on net assets of endowments	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

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Increase (decrease) in cash:		
Cash flows from operating activities:		
Changes in net assets	\$ 1,635,223	(\$ 1,198)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	342,110	337,697
Donated equipment	(17,661)	0
Gain in interest in net assets of the endowment	(5,343)	(29,951)
Unrealized loss on APT Foundation investments	917	0
Discount on pledges receivable	80,346	(8)
Write-off of pledges receivable	0	1,850
Changes in operating assets and liabilities:		
Accounts receivable	(23,344)	(13,821)
Prepaid expenses	(59,465)	416
Gift shop inventory	(10,725)	14,075
Accounts payable	8,417	1,131
Other accrued expenses	(13,512)	5,038
Deferred ticket revenue	2,242	3,916
Net cash provided by operating activities	1,939,205	319,145
Cash flows from investing activities:		
Purchase of APT Foundation investments	(110,001)	0
Purchase of property and equipment	(287,684)	(294,150)
Net cash used in investing activities	(397,685)	(294,150)
Cash flows from financing activities:		
Contribution of pledges receivable	(1,486,550)	0
Collection of pledges receivable	349,929	15,187
Draws on line of credit	400,000	0
Principal payments on notes payable	(551,789)	(12,211)
Net cash (used in) provided by financing activities	(1,288,410)	2,976
Net changes in cash	253,110	27,971
Cash and cash equivalents - Beginning of year	504,655	476,684
Cash and cash equivalents - End of year	\$ 757,765	\$ 504,655
Supplemental schedule of other cash activities:		
Interest paid and expensed	\$ 11,100	\$ 13,481
Supplemental schedule of noncash investing and financing activities:		
Property acquired with debt	\$ 34,654	\$ 564,000

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.

American Players Theatre Foundation, Inc. (the "APT Foundation") is a nonprofit organization created in 2014 to help carry out the mission of APT by managing and preserving endowment and long-term assets for the benefit of APT.

Basis of Presentation

The consolidated 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, APT Cole Street Apartments, LLC and APT Foundation, Inc. All four 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 the Organizations and changes therein are classified and reported as follows:

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)

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.

Unrestricted net assets – property and equipment represents the net book value of property and equipment owned by the Organizations. Board designated net assets consist of funds set aside by the Organizations' respective Board's for investing and future spending.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organizations 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.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations 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 accordance 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.

Cash and Cash Equivalents

The Organizations consider all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

Accounts Receivable

Accounts receivable represent amounts due from costume rentals to customers and refunds due from vendors. 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.

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

The Organizations measure 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 the Organizations have the ability to access.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

Fair Value Measurements (Continued)

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.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organizations 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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

Revenue Recognition (Continued)

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.

The Foundation is incorporated as a nonprofit organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). It is also exempt from Wisconsin 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 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.

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. The Organizations have determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the tax years 2011 and beyond remain subject to examination by the Internal Revenue Service.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

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, 2014 and 2013, were \$66,141 and \$62,806, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. There was no effect on net assets or the change in net assets.

Subsequent Events

Subsequent events have been evaluated through May 8, 2015, which is the date the financial statements were available to be issued.

Note 2 **Concentration of Credit Risk**

The Organizations maintain 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, 2014 and 2013, the balance was \$61,200.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 4 Pledges Receivable

Pledges receivable are unconditional promises to give. The present value of the outstanding pledge receivable balance for 2014 and 2013 was discounted at a rate of 5%. A breakdown of pledges receivable by purpose is as follows:

	2014	2013
Pledges receivable for capital improvement	\$ 1,143,371	\$ 8,800
Pledges receivable for operations	200	0
Subtotals	1,143,571	8,800
Less:		
Present value discount	(80,346)	0
Write-off of uncollectible pledges	0	(1,850)
Totals	\$ 1,063,225	\$ 6,950

Future maturities on the pledges receivable are as follows:

2015	\$ 288,150
2016	278,500
2017	297,000
2018	246,921
2019	33,000
Subtotal	1,143,571
Less - Present value discount	(80,346)
Total	\$ 1,063,225
Current portion	288,150
Long-term portion	775,075
Total	\$ 1,063,225

Note 5 APT Foundation Investments

Investments consist of the following at December 31:

	2014	2013
Stocks	\$ 98,074	\$ 0
Bonds	11,010	0
Totals	\$ 109,084	\$ 0

Investment income consisting primarily of interest and dividends totaled \$800 and \$1,342 for the year ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2014, an unrealized loss in the amount of \$917 was recorded related to the APT Foundation investments. For the year ended December 31, 2013, there was no activity related to the APT Foundation investments.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 6 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 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.

Changes in endowment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment at January 1, 2013	\$ 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	29,951
Endowment at December 31, 2013	\$ 92,812	\$ 100,000	\$ 192,812
Interest and dividends	2,387	0	2,387
Net appreciation	2,956	0	2,956
Total investment return	5,343	0	5,343
Endowment at December 31, 2014	\$ 98,155	\$ 100,000	\$ 198,155

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 7 Fair Value Measurements

The Organizations use a fair value hierarchy that includes three levels of inputs to be used to measure fair value. The Organizations have determined that the fair value for the APT Foundation investments and the endowment fund are Level 1 financial instruments. Quotes from pricing vendors based on recent trading activity and other observable market data were used in making this determination. The Organizations do 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 the Organizations believe 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, 2014 and 2013, is as follows:

2014					
Recurring Fair Value Measurements Using					
Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
APT Foundation investments					
Stocks					
Domestic	\$ 76,149	\$ 76,149	\$ 0	\$ 0	0
Foreign	21,925	21,925	0	0	0
Bonds					
Domestic	11,010	11,010	0	0	0
Endowment funds held by Foundation	198,155	198,155	0	0	0
Totals	\$ 304,239	\$ 304,239	\$ 0	\$ 0	0

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

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 8 Property and Equipment

A summary of property and equipment is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 559,316	\$ 559,316
Buildings, stage, and sets	9,821,162	9,544,171
Light and sound equipment	121,162	121,162
Vehicles	173,991	156,330
Equipment	707,458	560,565
Construction in progress	31,442	132,988
Total cost	11,414,531	11,074,532
Accumulated depreciation	(3,729,089)	(3,386,979)
<u>Property and equipment, net</u>	<u>\$ 7,685,442</u>	<u>\$ 7,687,553</u>

Note 9 Notes Payable

APT has the following notes payable as of December 31:

	<u>2014</u>	<u>2013</u>
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. The note was paid in full in 2014.	\$ 0	\$ 291,287
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. The note was paid in full in 2014.	0	130,251
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. The note was paid in full in 2014.	0	130,251
Total notes payable	0	551,789
Current maturities of notes payable	0	(21,999)
<u>Long-term maturities of notes payable</u>	<u>\$ 0</u>	<u>\$ 529,790</u>

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 10 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, 2014, was 4.010%. The note matures May 17, 2016. The note is collateralized by essentially all business assets of APT. As of December 31, 2014, the outstanding balance was \$400,000 and in 2013 there was no outstanding balance.

Note 11 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2014	2013
Pledges receivable	\$ 1,063,225	\$ 6,950
Income earned on the interest in net assets of the endowment	98,155	92,812
Cash received for future operations	673,290	153,463
Totals	\$ 1,834,670	\$ 253,225

Note 12 Permanently Restricted Net Assets

Permanently restricted net assets of \$100,000 at December 31, 2014 and 2013 were originated from an endowment contribution.

Note 13 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 \$49,399 and \$48,350 at December 31, 2014 and 2013, 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 14 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, 2014 and 2013, were \$189,126 and \$203,455, respectively.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 14 **Operating Lease Agreements** (Continued)

Future minimum lease requirements are as follows:

2015	\$ 131,508
2016	83,110
2017	72,367
2018	2,319
<hr/>	
Total	\$ 289,304

Note 15 **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 \$53,603 and \$48,122 for the years ended December 31, 2014 and 2013, 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, 2014

	Artistic and Production	Marketing and Patron Services	General and Administrative	Fundraising	Education	Total
Salaries, taxes, and benefits	\$ 2,095,941	\$ 431,898	\$ 473,761	\$ 365,327	\$ 68,282	\$ 3,435,209
Fees and royalties	370,570	147,958	14,645	0	0	533,173
Travel and living expenses	313,619	1,606	13,224	1,320	6,038	335,807
Other expenses	27,906	4,009	17,589	17,703	0	67,207
Production materials	154,983	0	0	0	0	154,983
Supplies	34,956	6,654	29,205	0	0	70,815
Advertising expenses	0	66,141	0	0	0	66,141
Publicity and promotions	0	17,081	0	0	0	17,081
Sales campaigns	0	108,217	0	0	0	108,217
Audience services	0	26,450	0	0	0	26,450
Credit card commissions	0	83,333	0	0	0	83,333
Cost of goods	0	154,175	0	0	0	154,175
IT and office equipment	0	1,869	102,319	0	0	104,188
Utilities	0	0	106,626	0	0	106,626
Property & equip. maintenance	36,844	3,555	118,263	0	0	158,662
Administrative	0	10,291	45,691	0	0	55,982
Interest	0	0	11,100	0	0	11,100
Insurance	0	0	82,553	0	0	82,553
Donor relations	0	0	0	6,747	0	6,747
Direct mail	0	0	0	32,058	0	32,058
Programming	0	0	0	0	22,070	22,070
Special events	0	0	8,692	4,749	0	13,441
Total operating expenses	3,034,819	1,063,237	1,023,668	427,904	96,390	5,646,018
Depreciation	0	0	342,110	0	0	342,110
Total expenses	\$ 3,034,819	\$ 1,063,237	\$ 1,365,778	\$ 427,904	\$ 96,390	\$ 5,988,128

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, 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	2,052	7,654	370,743
Other expenses	25,611	3,261	10,901	3,187	0	42,960
Production materials	133,542	0	0	0	0	133,542
Supplies	35,430	6,022	23,546	0	0	64,998
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	768	59,194	0	0	59,962
Utilities	0	0	91,857	0	0	91,857
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	0	0	0
Total operating expenses	2,984,896	1,027,686	922,969	397,542	99,428	5,432,521
Depreciation	0	0	337,697	0	0	337,697
Total expenses	\$ 2,984,896	\$ 1,027,686	\$ 1,260,666	\$ 397,542	\$ 99,428	\$ 5,770,218

See Independent Auditor's Report.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2014

ASSETS	American Players Theatre	APT Foundation	Total
Current assets:			
Cash and cash equivalents	\$ 754,262	\$ 3,503	\$ 757,765
Pledges receivable, current portion	288,150	0	288,150
Accounts receivable	49,676	0	49,676
Prepaid expenses	214,994	0	214,994
Gift shop inventory	43,758	0	43,758
Total current assets	1,350,840	3,503	1,354,343
Other assets:			
APT Foundation Investments	0	109,084	109,084
Cash restricted for security deposit	61,200	0	61,200
Interest in net assets of the endowment	198,155	0	198,155
Pledges receivable	775,075	0	775,075
Total other assets	1,034,430	109,084	1,143,514
Property and equipment	11,414,531	0	11,414,531
Less: accumulated depreciation	(3,729,089)	0	(3,729,089)
Property and equipment, net	7,685,442	0	7,685,442
TOTAL ASSETS	\$ 10,070,712	\$ 112,587	\$ 10,183,299
LIABILITIES AND NET ASSETS			
Current liabilities:			
Line of credit	\$ 400,000	\$ 0	\$ 400,000
Accounts payable	86,058	0	86,058
Other accrued expenses	31,045	0	31,045
Deferred ticket revenue	38,814	0	38,814
Total current liabilities	555,917	0	555,917
Net assets:			
Unrestricted net assets (deficit)	(205,317)	(913)	(206,230)
Unrestricted net assets - Property and equipment	7,685,442	0	7,685,442
Board designated net assets	100,000	113,500	213,500
Total unrestricted net assets	7,580,125	112,587	7,692,712
Temporarily restricted net assets	1,834,670	0	1,834,670
Permanently restricted net assets	100,000	0	100,000
Total net assets	9,514,795	112,587	9,627,382
TOTAL LIABILITIES AND NET ASSETS	\$ 10,070,712	\$ 112,587	\$ 10,183,299

See Independent Auditor's Report.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2014

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	American Players Theatre	APT Foundation	Total Unrestricted	American Players Theatre	American Players Theatre	
Operating revenue:						
Ticket sales	\$ 3,671,482	\$ 0	\$ 3,671,482	\$ 0	\$ 0	\$ 3,671,482
Sponsorship fees	83,853	0	83,853	0	0	83,853
Concession revenue	502,140	0	502,140			502,140
Education revenue	62,533	0	62,533	0	0	62,533
Investment income	796	4	800	0	0	800
Other	57,981	0	57,981	0	0	57,981
Total operating revenue	4,378,785	4	4,378,789	0	0	4,378,789
Operating expenses:						
Artistic and production	3,034,819	0	3,034,819	0	0	3,034,819
Marketing and patron services	1,063,237	0	1,063,237	0	0	1,063,237
General and administrative	1,023,668	0	1,023,668	0	0	1,023,668
Fund-raising	427,904	0	427,904	0	0	427,904
Education	96,390	0	96,390	0	0	96,390
Total operating expenses	5,646,018	0	5,646,018	0	0	5,646,018
Gain (loss) from operations	(1,267,233)	4	(1,267,229)	0	0	(1,267,229)
Support:						
Contributions for operations	1,191,784	0	1,191,784	110,694	0	1,302,478
Contributions for capital improvements	107,388	0	107,388	1,625,570	0	1,732,958
Grants	91,200	0	91,200	0	0	91,200
Contributions for APT Foundation	0	113,500	113,500	0	0	113,500
Loss on APT Foundation investments	0	(917)	(917)	0	0	(917)
Gain on net assets of endowments	0	0	0	5,343	0	5,343
Net assets released from restrictions for operations	103,462	0	103,462	(103,462)	0	0
Net assets released from restrictions for capital improvements	56,700	0	56,700	(56,700)	0	0
Total support	1,550,534	112,583	1,663,117	1,581,445	0	3,244,562
Income from current activities	283,301	112,587	395,888	1,581,445	0	1,977,333
Depreciation expense	342,110	0	342,110	0	0	342,110
Changes in net assets	(58,809)	112,587	53,778	1,581,445	0	1,635,223
Net assets - Beginning of year	7,638,934	0	7,638,934	253,225	100,000	7,992,159
Net assets - End of year	\$ 7,580,125	\$ 112,587	\$ 7,692,712	\$ 1,834,670	\$ 100,000	\$ 9,627,382