

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

Spring Green, Wisconsin

Consolidated Financial Statements and  
Supplementary Information  
Years Ended December 31, 2015 and 2014

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information  
Years Ended December 31, 2015 and 2014

---

## Table of Contents

Independent Auditor's Report .....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Cash Flows .....	5
Notes to Consolidated Financial Statements .....	6
Supplementary Information	
Consolidated Schedule of Functional Expenses – Year Ended December 31, 2015 .....	18
Consolidated Schedule of Functional Expenses – Year Ended December 31, 2014 .....	19
Consolidating Statement of Financial Position .....	20
Consolidating Statement of Activities .....	21



## **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, 2015 and 2014, 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, 2015 and 2014, 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. Such 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.

Handwritten signature of Wipfli LLP in cursive script.

Wipfli LLP

Madison, Wisconsin  
May 16, 2016

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Consolidated Statements of Financial Position

December 31, 2015 and 2014

<i>Assets</i>	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents	\$ 69,666	\$ 195,169
Cash restricted for future improvements	1,765,577	562,596
Pledges receivable, current portion	882,202	288,150
Accounts receivable	73,007	49,676
Prepaid expenses	200,849	214,994
Gift shop inventory	39,009	43,758
<b>Total current assets</b>	<b>3,030,310</b>	<b>1,354,343</b>
Other assets:		
APT Foundation investments	235,093	109,084
Cash restricted for security deposit	61,200	61,200
Interest in net assets of the endowment	192,627	198,155
Pledges receivable	2,701,214	775,075
<b>Total other assets</b>	<b>3,190,134</b>	<b>1,143,514</b>
Property and equipment	11,666,009	11,414,531
Less: accumulated depreciation	( 4,090,112)	( 3,729,089)
<b>Property and equipment, net</b>	<b>7,575,897</b>	<b>7,685,442</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,796,341</b>	<b>\$ 10,183,299</b>
<b><i>Liabilities and Net Assets</i></b>		
Current liabilities:		
Line of credit	\$ 0	\$ 400,000
Accounts payable	83,311	86,058
Other accrued expenses	31,578	31,045
Deferred ticket revenue	58,817	38,814
<b>Total current liabilities</b>	<b>173,706</b>	<b>555,917</b>
Net assets:		
Unrestricted net assets (deficit)	40,824	( 206,230)
Unrestricted net assets - property and equipment	7,575,897	7,685,442
Board designated net assets	344,500	213,500
<b>Total unrestricted net assets</b>	<b>7,961,221</b>	<b>7,692,712</b>
Temporarily restricted net assets	5,561,414	1,834,670
Permanently restricted net assets	100,000	100,000
<b>Total net assets</b>	<b>13,622,635</b>	<b>9,627,382</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,796,341</b>	<b>\$ 10,183,299</b>

See accompanying notes to consolidated financial statements.

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities  
Years Ended December 31, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Ticket sales	\$ 4,202,360	\$ 0	\$ 0	\$ 4,202,360
Sponsorship fees	83,199	0	0	83,199
Concession revenue	556,593	0	0	556,593
Education revenue	68,914	0	0	68,914
Investment income	6,333	0	0	6,333
Other	27,491	0	0	27,491
<b>Total operating revenue</b>	<b>4,944,890</b>	<b>0</b>	<b>0</b>	<b>4,944,890</b>
Operating expenses:				
Artistic and production	3,263,727	0	0	3,263,727
Marketing and patron services	1,155,968	0	0	1,155,968
General and administrative	1,168,043	0	0	1,168,043
Fund-raising	399,923	0	0	399,923
Education	98,294	0	0	98,294
<b>Total operating expenses</b>	<b>6,085,955</b>	<b>0</b>	<b>0</b>	<b>6,085,955</b>
<b>Loss from operations</b>	<b>(1,141,065)</b>	<b>0</b>	<b>0</b>	<b>(1,141,065)</b>
Support:				
Contributions for operations	1,192,793	130,194	0	1,322,987
Contributions for capital improvements	2,950	3,979,216	0	3,982,166
Grants	74,615	0	0	74,615
Contributions for APT Foundation	131,000	0	0	131,000
Loss on APT Foundation investments	(7,899)	0	0	(7,899)
Loss on net assets of endowments	0	(5,528)	0	(5,528)
Net assets released from restrictions for operations	110,544	(110,544)	0	0
Net assets released from restrictions for capital improvements	266,594	(266,594)	0	0
<b>Total support</b>	<b>1,770,597</b>	<b>3,726,744</b>	<b>0</b>	<b>5,497,341</b>
<b>Income from current activities</b>	<b>629,532</b>	<b>3,726,744</b>	<b>0</b>	<b>4,356,276</b>
<b>Depreciation expense</b>	<b>361,023</b>	<b>0</b>	<b>0</b>	<b>361,023</b>
<b>Changes in net assets</b>	<b>268,509</b>	<b>3,726,744</b>	<b>0</b>	<b>3,995,253</b>
<b>Net assets - Beginning of year</b>	<b>7,692,712</b>	<b>1,834,670</b>	<b>100,000</b>	<b>9,627,382</b>
<b>Net assets - End of year</b>	<b>\$ 7,961,221</b>	<b>\$ 5,561,414</b>	<b>\$ 100,000</b>	<b>\$ 13,622,635</b>

See accompanying notes to consolidated financial statements.

	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
<b>Total operating revenue</b>	<b>4,378,789</b>	<b>0</b>	<b>0</b>	<b>4,378,789</b>
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
<b>Total operating expenses</b>	<b>5,646,018</b>	<b>0</b>	<b>0</b>	<b>5,646,018</b>
<b>Loss from operations</b>	<b>( 1,267,229)</b>	<b>0</b>	<b>0</b>	<b>( 1,267,229)</b>
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 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
<b>Total support</b>	<b>1,663,117</b>	<b>1,581,445</b>	<b>0</b>	<b>3,244,562</b>
<b>Income from current activities</b>	<b>395,888</b>	<b>1,581,445</b>	<b>0</b>	<b>1,977,333</b>
<b>Depreciation expense</b>	<b>342,110</b>	<b>0</b>	<b>0</b>	<b>342,110</b>
<b>Changes in net assets</b>	<b>53,778</b>	<b>1,581,445</b>	<b>0</b>	<b>1,635,223</b>
<b>Net assets - Beginning of year</b>	<b>7,638,934</b>	<b>253,225</b>	<b>100,000</b>	<b>7,992,159</b>
<b>Net assets - End of year</b>	<b>\$ 7,692,712</b>	<b>\$ 1,834,670</b>	<b>\$ 100,000</b>	<b>\$ 9,627,382</b>

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	\$ 3,995,253	\$ 1,635,223
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	361,023	342,110
Donated equipment	0	(17,661)
Loss (gain) in interest in net assets of the endowment	5,528	(5,343)
Unrealized loss on APT Foundation investments	7,899	917
Discount on pledges receivable	99,083	80,346
Changes in operating assets and liabilities:		
Accounts receivable	(23,331)	(23,344)
Prepaid expenses	14,145	(59,465)
Gift shop inventory	4,749	(10,725)
Accounts payable	(16,867)	8,417
Other accrued expenses	533	(13,512)
Deferred ticket revenue	20,003	2,242
Net cash provided by operating activities	4,468,018	1,939,205
Cash flows from investing activities:		
Change in cash restricted for future improvements	(1,202,981)	(512,596)
Purchase of APT Foundation investments	(138,829)	(110,001)
Sale of APT Foundation investments	4,921	0
Purchase of property and equipment	(237,358)	(287,684)
Net cash used in investing activities	(1,574,247)	(910,281)
Cash flows from financing activities:		
Contribution of pledges receivable	(3,334,800)	(1,486,550)
Collection of pledges receivable	715,526	349,929
(Payments) draws on line of credit	(400,000)	400,000
Principal payments on notes payable	0	(551,789)
Net cash used in by financing activities	(3,019,274)	(1,288,410)
Net changes in cash and cash equivalents	(125,503)	(259,486)
Cash and cash equivalents - Beginning of year	195,169	454,655
Cash and cash equivalents - End of year	\$ 69,666	\$ 195,169
<b>Supplemental schedule of other cash activities:</b>		
Interest paid and expensed	\$ 2,048	\$ 11,100
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Construction in progress accrued in accounts payable	\$ 14,120	\$ 34,654

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.

# 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, 2015 and 2014 was \$69,551 and \$66,141.

#### **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 16, 2016, 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, 2015 and 2014, 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 2015 and 2014 was discounted at a rate of 3.5% and 5%. A breakdown of pledges receivable by purpose is as follows:

	<b>2015</b>	<b>2014</b>
Pledges receivable for capital improvement	\$ 3,752,295	\$ 1,143,371
Pledges receivable for operations	10,550	200
Subtotals	3,762,845	1,143,571
Less:		
Present value discount	( 179,429)	( 80,346)
<b>Totals</b>	<b>\$ 3,583,416</b>	<b>\$ 1,063,225</b>

Future maturities on the pledges receivable are as follows:

2016	\$ 882,202
2017	1,360,597
2018	724,695
2019	560,170
2020	235,181
Subtotal	3,762,845
Less - Present value discount	(179,429)
<b>Total</b>	<b>\$ 3,583,416</b>
Current portion	882,202
Long-term portion	2,701,214
<b>Total</b>	<b>\$ 3,583,416</b>

### Note 5 APT Foundation Investments

Investments consist of the following at December 31:

	<b>2015</b>	<b>2014</b>
Stocks	\$ 210,974	\$ 98,074
Bonds	24,119	11,010
<b>Totals</b>	<b>\$ 235,093</b>	<b>\$ 109,084</b>

Investment income consisting primarily of interest and dividends totaled \$6,333 and \$800 for the year ended December 31, 2015 and 2014. Unrealized losses were recorded related to the APT Foundation investments totaling \$7,899 and \$917 for the year ended December 31, 2015 and 2014.

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### Note 6 Investment Held by Others - Endowment

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.

*Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* provide guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. Accounting Standards also require 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:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment at January 1, 2014	\$ 92,812	\$ 100,000	\$ 192,812
Interest and dividends	2,387	0	2,387
<u>Net appreciation</u>	<u>2,956</u>	<u>0</u>	<u>2,956</u>
Total investment return	5,343	0	5,343
Endowment at December 31, 2014	\$ 98,155	\$ 100,000	\$ 198,155
Interest and dividends	4,292	0	4,292
<u>Net reduction</u>	<u>(9,820)</u>	<u>0</u>	<u>(9,820)</u>
Total investment return	(5,528)	0	(5,528)
<u>Endowment at December 31, 2015</u>	<u>\$ 92,627</u>	<u>\$ 100,000</u>	<u>\$ 192,627</u>



# 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 funds held by foundation 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 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, 2015 and 2014 is as follows:

	<b>2015</b>			
	<b>Assets Measured at Fair Value</b>	<b>Recurring Fair Value Measurements Using</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>
APT Foundation investments				
Stocks				
Domestic	\$ 166,675	\$ 166,675	\$ 0	\$ 0
Foreign	44,299	44,299	0	0
Bonds				
Domestic	24,119	24,119	0	0
Endowment funds held by Foundation	192,627	192,627	0	0
<b>Totals</b>	<b>\$ 427,720</b>	<b>\$ 427,720</b>	<b>\$ 0</b>	<b>\$ 0</b>

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

### Note 7 Fair Value Measurements (Continued)

	2014			
	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 Unobservable Inputs (Level 3)
APT Foundation investments				
Stocks				
Domestic	\$ 76,149	\$ 76,149	\$ 0	\$ 0
Foreign	21,925	21,925	0	0
Bonds				
Domestic	11,010	11,010	0	0
Endowment funds held by Foundation	198,155	198,155	0	0
<b>Totals</b>	<b>\$ 307,239</b>	<b>\$ 307,239</b>	<b>\$ 0</b>	<b>\$ 0</b>

### Note 8 Property and Equipment

A summary of property and equipment is as follows:

	2015	2014
Land	\$ 559,316	\$ 559,316
Buildings, stage, and sets	9,821,162	9,821,162
Light and sound equipment	121,162	121,162
Vehicles	236,091	173,991
Equipment	768,762	707,458
Construction in progress	159,516	31,442
Total cost	11,666,009	11,414,531
Accumulated depreciation	( 4,090,112)	( 3,729,089)
<b>Property and equipment, net</b>	<b>\$ 7,575,897</b>	<b>\$ 7,685,442</b>

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

---

### 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, 2015, was 4.2%. The note matures May 17, 2016. The note is collateralized by essentially all business assets of APT. As of December 31, 2015, the outstanding balance was \$0 and in 2014 the outstanding balance was \$400,000.

### Note 10      **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	<b>2015</b>	<b>2014</b>
Pledges receivable	\$ 3,583,416	\$ 1,063,225
Income earned on the interest in net assets of the endowment	92,627	98,155
Cash received for future improvements	1,765,577	562,796
Cash received for future operations	119,794	110,494
<b>Totals</b>	<b>\$ 5,561,414</b>	<b>\$ 1,834,670</b>

### Note 11      **Permanently Restricted Net Assets**

Permanently restricted net assets of \$100,000 at December 31, 2015 and 2014 are for the endowment (See Note 6).

### 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 \$46,467 and \$49,399 at December 31, 2015 and 2014. The agreement indicates that MCF will hold the funds in for APT, and therefore, are not reflected in APT's 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, 2016 to April 26, 2018. Lease expense for the years ended December 31, 2015 and 2014, were \$206,244 and \$189,126.

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

---

### Note 13      **Operating Lease Agreements (Continued)**

Future minimum lease requirements are as follows:

2016	\$ 150,688
2017	73,802
2018	2,507
<hr/>	
<u>Total</u>	<u>\$ 226,997</u>

### 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 \$53,603 and \$48,705 for the years ended December 31, 2015 and 2014. 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, 2015

	Artistic and Production	Marketing and Patron Services	General and Administrative	Fundraising	Education	Total
Salaries, taxes, and benefits	\$ 2,133,282	\$ 427,833	\$ 515,281	\$ 316,407	\$ 69,039	\$ 3,461,842
Fees and royalties	520,178	152,058	17,800	0	0	690,036
Travel and living expenses	333,819	12,815	0	4,739	6,285	357,658
Other expenses	35,866	3,969	11,422	38,859	0	90,116
Production materials	152,759	0	0	0	0	152,759
Supplies	38,485	9,477	29,394	0	0	77,356
Advertising expenses	0	69,551	0	0	0	69,551
Publicity and promotions	0	20,630	0	0	0	20,630
Sales campaigns	0	101,637	0	0	0	101,637
Audience services	0	36,615	0	0	0	36,615
Credit card commissions	0	131,125	0	0	0	131,125
Cost of goods	0	179,990	0	0	0	179,990
IT and office equipment	0	227	109,127	0	0	109,354
Utilities	0	0	97,319	0	0	97,319
Property & equip. maintenance	49,338	18	235,190	0	0	284,546
Administrative	0	10,023	63,054	0	0	73,077
Interest	0	0	2,048	0	0	2,048
Insurance	0	0	87,408	0	0	87,408
Donor relations	0	0	0	10,153	0	10,153
Direct mail	0	0	0	29,765	0	29,765
Programming	0	0	0	0	22,970	22,970
<b>Total operating expenses</b>	<b>3,263,727</b>	<b>1,155,968</b>	<b>1,168,043</b>	<b>399,923</b>	<b>98,294</b>	<b>6,085,955</b>
Depreciation	0	0	361,023	0	0	361,023
<b>Total expenses</b>	<b>\$ 3,263,727</b>	<b>\$ 1,155,968</b>	<b>\$ 1,529,066</b>	<b>\$ 399,923</b>	<b>\$ 98,294</b>	<b>\$ 6,446,978</b>

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, 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
<b>Total operating expenses</b>	<b>3,034,819</b>	<b>1,063,237</b>	<b>1,023,668</b>	<b>427,904</b>	<b>96,390</b>	<b>5,646,018</b>
Depreciation	0	0	342,110	0	0	342,110
<b>Total expenses</b>	<b>\$ 3,034,819</b>	<b>\$ 1,063,237</b>	<b>\$ 1,365,778</b>	<b>\$ 427,904</b>	<b>\$ 96,390</b>	<b>\$ 5,988,128</b>

See Independent Auditor's Report.

# American Players Theatre of Wisconsin, Inc. and Subsidiaries

## Consolidating Statement of Financial Position

December 31, 2015

<i>ASSETS</i>	American Players Theatre	APT Foundation	Total
Current assets:			
Cash and cash equivalents	\$ 66,618	\$ 3,048	\$ 69,666
Cash restricted for future improvements	1,765,577	0	1,765,577
Pledges receivable, current portion	882,202	0	882,202
Accounts receivable	73,007	0	73,007
Prepaid expenses	200,849	0	200,849
Gift shop inventory	39,009	0	39,009
<b>Total current assets</b>	<b>3,027,262</b>	<b>3,048</b>	<b>3,030,310</b>
Other assets:			
APT Foundation Investments	0	235,093	235,093
Cash restricted for security deposit	61,200	0	61,200
Interest in net assets of the endowment	192,627	0	192,627
Pledges receivable	2,701,214	0	2,701,214
<b>Total other assets</b>	<b>2,955,041</b>	<b>235,093</b>	<b>3,190,134</b>
Property and equipment	11,666,009	0	11,666,009
Less: accumulated depreciation	( 4,090,112)	0	( 4,090,112)
Property and equipment, net	7,575,897	0	7,575,897
<b>TOTAL ASSETS</b>	<b>\$ 13,558,200</b>	<b>\$ 238,141</b>	<b>\$ 13,796,341</b>
<b><i>LIABILITIES AND NET ASSETS</i></b>			
Current liabilities:			
Accounts payable	\$ 83,311	\$ 0	\$ 83,311
Other accrued expenses	31,578	0	31,578
Deferred ticket revenue	58,817	0	58,817
<b>Total current liabilities</b>	<b>173,706</b>	<b>0</b>	<b>173,706</b>
Net assets:			
Unrestricted net assets (deficit)	47,183	( 6,359)	40,824
Unrestricted net assets - Property and equipment	7,575,897	0	7,575,897
Board designated net assets	100,000	244,500	344,500
<b>Total unrestricted net assets</b>	<b>7,723,080</b>	<b>238,141</b>	<b>7,961,221</b>
Temporarily restricted net assets	5,561,414	0	5,561,414
Permanently restricted net assets	100,000	0	100,000
<b>Total net assets</b>	<b>13,384,494</b>	<b>238,141</b>	<b>13,622,635</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,558,200</b>	<b>\$ 238,141</b>	<b>\$ 13,796,341</b>

See Independent Auditor's Report.



# American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidating Statement of Activities  
Year Ended December 31, 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	American Players Theatre	APT Foundation	Total Unrestricted	American Players Theatre	American Players Theatre	
Operating revenue:						
Ticket sales	\$ 4,202,360	\$ 0	\$ 4,202,360	\$ 0	\$ 0	\$ 4,202,360
Sponsorship fees	83,199	0	83,199	0	0	83,199
Concession revenue	556,593	0	556,593	0	0	556,593
Education revenue	68,914	0	68,914	0	0	68,914
Investment income	1,418	4,915	6,333	0	0	6,333
Other	27,491	0	27,491	0	0	27,491
<b>Total operating revenue</b>	<b>4,939,975</b>	<b>4,915</b>	<b>4,944,890</b>	<b>0</b>	<b>0</b>	<b>4,944,890</b>
Operating expenses:						
Artistic and production	3,263,727	0	3,263,727	0	0	3,263,727
Marketing and patron services	1,155,968	0	1,155,968	0	0	1,155,968
General and administrative	1,165,581	2,462	1,168,043	0	0	1,168,043
Fund-raising	399,923	0	399,923	0	0	399,923
Education	98,294	0	98,294	0	0	98,294
<b>Total operating expenses</b>	<b>6,083,493</b>	<b>2,462</b>	<b>6,085,955</b>	<b>0</b>	<b>0</b>	<b>6,085,955</b>
<b>Gain (loss) from operations</b>	<b>(1,143,518)</b>	<b>2,453</b>	<b>(1,141,065)</b>	<b>0</b>	<b>0</b>	<b>(1,141,065)</b>
Support:						
Contributions for operations	1,192,793	0	1,192,793	130,194	0	1,322,987
Contributions for capital improvements	2,950	0	2,950	3,979,216	0	3,982,166
Grants	74,615	0	74,615	0	0	74,615
Contributions for APT Foundation	0	131,000	131,000	0	0	131,000
Loss on APT Foundation investments	0	(7,899)	(7,899)	0	0	(7,899)
Loss on net assets of endowments	0	0	0	(5,528)	0	(5,528)
Net assets released from restrictions for operations	110,544	0	110,544	(110,544)	0	0
Net assets released from restrictions for capital improvements	266,594	0	266,594	(266,594)	0	0
<b>Total support</b>	<b>1,647,496</b>	<b>123,101</b>	<b>1,770,597</b>	<b>3,726,744</b>	<b>0</b>	<b>5,497,341</b>
<b>Income from current activities</b>	<b>503,978</b>	<b>125,554</b>	<b>629,532</b>	<b>3,726,744</b>	<b>0</b>	<b>4,356,276</b>
Depreciation expense	361,023	0	361,023	0	0	361,023
Changes in net assets	142,955	125,554	268,509	3,726,744	0	3,995,253
Net assets - Beginning of year	7,580,125	112,587	7,692,712	1,834,670	100,000	9,627,382
<b>Net assets - End of year</b>	<b>\$ 7,723,080</b>	<b>\$ 238,141</b>	<b>\$ 7,961,221</b>	<b>\$ 5,561,414</b>	<b>\$ 100,000</b>	<b>\$ 13,622,635</b>