

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Spring Green, Wisconsin

Consolidated Financial Statements and
Supplementary Information
Years Ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 21 and 22, 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.

Handwritten signature of Wipfli LLP in cursive script.

Wipfli LLP

Madison, Wisconsin
May 8, 2017

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Financial Position

December 31, 2016 and 2015

<i>Assets</i>	2016	2015
Current assets:		
Cash and cash equivalents	\$ 2,618,754	\$ 69,666
Cash restricted for future improvements	896,312	1,765,577
Pledges receivable, current portion	895,495	882,202
Accounts receivable	73,725	73,007
Prepaid expenses	223,948	200,849
Gift shop inventory	36,916	39,009
Total current assets	4,745,150	3,030,310
Other assets:		
APT Foundation investments	265,006	235,093
Cash restricted for security deposit	61,200	61,200
Interest in net assets of the endowment	209,013	192,627
Pledges receivable	1,783,713	2,701,214
Total other assets	2,318,932	3,190,134
Property and equipment	13,821,400	11,666,009
Less: accumulated depreciation	(3,499,071)	(4,090,112)
Property and equipment, net	10,322,329	7,575,897
TOTAL ASSETS	\$ 17,386,411	\$ 13,796,341
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 2,527,184	\$ 83,311
Other accrued expenses	37,058	31,578
Deferred ticket revenue	61,474	58,817
Total current liabilities	2,625,716	173,706
Net assets:		
Unrestricted net assets	10,850,841	7,961,221
Temporarily restricted net assets	3,809,854	5,561,414
Permanently restricted net assets	100,000	100,000
Total net assets	14,760,695	13,622,635
TOTAL LIABILITIES AND NET ASSETS	\$ 17,386,411	\$ 13,796,341

See accompanying notes to consolidated financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities

Years Ended December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Ticket sales	\$ 3,945,592	\$ 0	\$ 0	\$ 3,945,592
Sponsorship fees	88,843	0	0	88,843
Concession revenue	544,144	0	0	544,144
Education revenue	66,413	0	0	66,413
Investment income	9,438	0	0	9,438
Other	21,832	0	0	21,832
Loss on disposal	(22,734)	0	0	(22,734)
Total operating revenue	4,653,528	0	0	4,653,528
Operating expenses:				
Artistic and production	3,327,759	0	0	3,327,759
Marketing and patron services	1,124,336	0	0	1,124,336
General and administrative	1,038,882	0	0	1,038,882
Fund-raising	358,848	0	0	358,848
Education	98,562	0	0	98,562
Total operating expenses	5,948,387	0	0	5,948,387
Loss from operations	(1,294,859)	0	0	(1,294,859)
Support:				
Contributions for operations	1,145,929	128,847	0	1,274,776
Contributions for capital improvements	29,227	1,343,455	0	1,372,682
Grants	92,350	0	0	92,350
Contributions for APT Foundation	7,000	0	0	7,000
Gain on APT Foundation investments	16,006	0	0	16,006
Gain on net assets of endowments	0	16,386	0	16,386
Net assets released from restrictions for operations	131,544	(131,544)	0	0
Net assets released from restrictions for capital improvements	3,108,704	(3,108,704)	0	0
Total support	4,530,760	(1,751,560)	0	2,779,200
Income from current activities	3,235,901	(1,751,560)	0	1,484,341
Depreciation expense	346,281	0	0	346,281
Changes in net assets	2,889,620	(1,751,560)	0	1,138,060
Net assets - Beginning of year	7,961,221	5,561,414	100,000	13,622,635
Net assets - End of year	\$ 10,850,841	\$ 3,809,854	\$ 100,000	\$ 14,760,695

See accompanying notes to consolidated financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Activities (Continued)

Years Ended December 31, 2016 and 2015

	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
Loss on disposal	0	0	0	0
Total operating revenue	4,944,890	0	0	4,944,890
Operating expenses:				
Artistic and production	3,263,727	0	0	3,263,727
Marketing and patron services	1,155,967	0	0	1,155,967
General and administrative	1,168,043	0	0	1,168,043
Fund-raising	399,924	0	0	399,924
Education	98,294	0	0	98,294
Total operating expenses	6,085,955	0	0	6,085,955
Loss from operations	(1,141,065)	0	0	(1,141,065)
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
Total support	1,770,597	3,726,744	0	5,497,341
Income from current activities	629,532	3,726,744	0	4,356,276
Depreciation expense	361,023	0	0	361,023
Changes in net assets	268,509	3,726,744	0	3,995,253
Net assets - Beginning of year	7,692,712	1,834,670	100,000	9,627,382
Net assets - End of year	\$ 7,961,221	\$ 5,561,414	\$ 100,000	\$ 13,622,635

See accompanying notes to consolidated financial statements.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Increase (decrease) in cash:		
Cash flows from operating activities:		
Changes in net assets	\$ 1,138,060	\$ 3,995,253
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	346,281	361,023
Donated equipment	(23,432)	0
Loss on disposal of property and equipment	22,734	0
(Gain) loss in interest in net assets of the endowment	(16,386)	5,528
Unrealized (gain) loss on APT Foundation investments	(16,006)	7,899
Discount on pledges receivable	(48,761)	99,083
Changes in operating assets and liabilities:		
Accounts receivable	(718)	(23,331)
Prepaid expenses	(23,099)	14,145
Gift shop inventory	2,093	4,749
Accounts payable	(23,889)	(16,867)
Other accrued expenses	5,480	533
Deferred ticket revenue	2,657	20,003
Net cash provided by operating activities	1,365,014	4,468,018
Cash flows from investing activities:		
Change in cash restricted for future improvements	869,265	(1,202,981)
Purchase of APT Foundation investments	(16,919)	(138,829)
Sale of APT Foundation investments	3,012	4,921
Purchase of property and equipment	(624,253)	(237,358)
Net cash provided by (used in) investing activities	231,105	(1,574,247)
Cash flows from financing activities:		
Contribution of pledges receivable	(687,300)	(3,334,800)
Collection of pledges receivable	1,640,269	715,526
Payments on line of credit	0	(400,000)
Net cash provided by (used in) by financing activities	952,969	(3,019,274)
Net changes in cash and cash equivalents	2,549,088	(125,503)
Cash and cash equivalents - Beginning of year	69,666	195,169
Cash and cash equivalents - End of year	\$ 2,618,754	\$ 69,666
Supplemental schedule of other cash activities:		
Interest paid and expensed	\$ 0	\$ 2,048
Supplemental schedule of noncash investing and financing activities:		
Construction in progress included in accounts payable	\$ 2,467,762	\$ 14,120

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 1,080-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.

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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.

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

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 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.

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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

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.

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.

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, 2016 and 2015, were \$70,315 and \$69,551.

Subsequent Events

Subsequent events have been evaluated through May 8, 2017, which is the date the financial statements were available to be issued.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

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 is 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, 2016 and 2015, the balance was \$61,200.

Note 4 Pledges Receivable

Pledges receivable are unconditional promises to give. The present value of the outstanding pledge receivable balance for 2016 and 2015 was discounted at a rate of 3.75% and 3.5%. A breakdown of pledges receivable by purpose is as follows:

	2016	2015
Pledges receivable for capital improvement	\$ 2,807,376	\$ 3,752,295
Pledges receivable for operations	2,500	10,550
Subtotals	2,809,876	3,762,845
Less:		
Present value discount	(130,668)	(179,429)
Totals	\$ 2,679,208	\$ 3,583,416

Future maturities on the pledges receivable are as follows:

2017	\$ 895,495
2018	772,564
2019	634,174
2020	339,786
2021	62,857
Thereafter	105,000
Subtotal	2,809,876
Less - Present value discount	(130,668)
Total	\$ 2,679,208
Current portion	895,495
Long-term portion	1,783,713
Total	\$ 2,679,208

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 5 APT Foundation Investments

Investments consisted of the following at December 31:

	2016	2015
Stocks	\$ 239,505	\$ 210,974
Bonds	25,501	24,119
Totals	\$ 265,006	\$ 235,093

Investment income consisting primarily of interest and dividends totaled \$9,438 and \$6,333 for the year ended December 31, 2016 and 2015. Unrealized gains or (losses) were recorded related to the APT Foundation investments totaling \$16,006 and (\$7,899) for the years ended December 31, 2016 and 2015.

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 6 Investment Held by Others – Endowment (Continued)

Donor-Designated Endowment (Continued)

Changes in endowment funds were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment at January 1, 2015	\$ 98,155	\$ 100,000	\$ 198,155
Interest and dividends	4,292	0	4,292
Net reduction	(9,820)	0	(9,820)
Total investment return	(5,528)	0	(5,528)
Endowment at December 31, 2015	\$ 92,627	\$ 100,000	\$ 192,627
Interest and dividends	4,369	0	0
Net appreciation	12,017	0	0
Total investment return	16,386	0	0
<u>Endowment at December 31, 2016</u>	<u>\$ 109,013</u>	<u>\$ 100,000</u>	<u>\$ 209,013</u>

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.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 7 Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, is as follows:

	2016			
	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	\$ 191,669	\$ 191,669	\$ 0	\$ 0
Foreign	47,836	47,836	0	0
Bonds				
Domestic	25,501	25,501	0	0
Endowment funds held by Foundation	209,013	209,013	0	0
Totals	\$ 474,019	\$ 474,019	\$ 0	\$ 0

	2015			
	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	\$ 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
Totals	\$ 427,720	\$ 427,720	\$ 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:

	2016	2015
Land	\$ 559,316	\$ 559,316
Buildings, stage, and sets	9,001,328	9,821,162
Light and sound equipment	121,162	121,162
Vehicles	297,341	236,091
Equipment	674,808	768,762
Construction in progress	3,167,445	159,516
Total cost	13,821,400	11,666,009
Accumulated depreciation	(3,499,071)	(4,090,112)
Property and equipment, net	\$10,322,329	\$ 7,575,897

APT is in the process of renovating its outdoor amphitheater. Costs incurred as of December 31, 2016 on the new amphitheater are included in construction in progress (See Note 15).

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, 2016, was 4.23%. The note matures May 17, 2017. The note is collateralized by real estate. As of December 31, 2016 and 2015, the outstanding balance was \$0.

APT obtained a revolving business note with The Peoples Community Bank in the amount of \$4,500,000 with a variable interest rate of 3.18% 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, 2016, was 3.49%. The note matures March 23, 2018. The note is collateralized by essentially all business assets of APT. As of December 31, 2016 and 2015, the outstanding balance was \$0.

Note 10 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2016	2015
Pledges receivable	\$ 2,679,208	\$ 3,583,416
Income earned on the interest in net assets of the endowment	109,013	92,627
Cash received for future improvements	896,312	1,765,577
Cash received for future operations	125,321	119,794
Totals	\$ 3,809,854	\$ 5,561,414

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 11 **Permanently Restricted Net Assets**

Permanently restricted net assets of \$100,000 at December 31, 2016 and 2015 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 \$47,595 and \$46,467 at December 31, 2016 and 2015. The agreement indicates that MCF will hold the funds in an APT fund, 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 through April 26, 2018. Lease expense for the years ended December 31, 2016 and 2015, were \$229,980 and \$206,244.

Future minimum lease requirements are as follows:

2017	\$ 149,439
2018	2,371
<hr/>	
Total	\$ 151,810

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 \$52,951 and \$53,603 for the years ended December 31, 2016 and 2015. Future employer contributions are discretionary and determined annually subject to APT's profitability and plan limitations.

Note 15 **Commitments - Outdoor Amphitheater**

APT entered into a \$5,680,000 construction contract with Kraemer Brothers, LLC for the renovation of the outdoor amphitheater. As of December 31, 2016 and 2015, APT has recorded \$2,467,762 and \$0 in accounts payable for the work completed. APT currently has approximately \$3,212,000 of open contracts relating to the renovation of the amphitheater.

Supplementary Information

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Schedule A-1

Consolidated Schedule of Functional Expenses

Year Ended December 31, 2016

	Artistic and Production	Marketing and Patron Services	General and Administrative	Fundraising	Education	Total
Salaries, taxes, and benefits	\$ 2,223,867	\$ 452,265	\$ 555,340	\$ 294,409	\$ 71,998	\$ 3,597,879
Fees and royalties	461,062	129,812	25,229	0	0	616,103
Travel and living expenses	375,026	9,203	0	3,182	10,344	397,755
Other expenses	38,022	4,501	9,569	14,623	0	66,715
Production materials	175,404	0	0	0	0	175,404
Supplies	36,620	7,875	28,858	0	0	73,353
Advertising expenses	0	70,315	0	0	0	70,315
Publicity and promotions	0	21,450	0	0	0	21,450
Sales campaigns	0	102,202	0	0	0	102,202
Audience services	0	34,622	0	0	0	34,622
Credit card commissions	0	107,148	0	0	0	107,148
Cost of goods	0	175,774	0	0	0	175,774
IT and office equipment	0	351	87,655	0	0	88,006
Utilities	0	0	90,343	0	0	90,343
Property & equip. maintenance	17,758	86	90,724	0	0	108,568
Administrative	0	8,732	51,745	0	0	60,477
Interest	0	0	0	0	0	0
Insurance	0	0	99,419	0	0	99,419
Donor relations	0	0	0	13,421	0	13,421
Direct mail	0	0	0	33,213	0	33,213
Programming	0	0	0	0	16,220	16,220
Total operating expenses	3,327,759	1,124,336	1,038,882	358,848	98,562	5,948,387
Depreciation						346,281
Total expenses	\$ 3,327,759	\$ 1,124,336	\$ 1,038,882	\$ 358,848	\$ 98,562	\$ 6,294,668

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, 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	3,968	11,422	38,860	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
Total operating expenses	3,263,727	1,155,967	1,168,043	399,924	98,294	6,085,955
Depreciation						361,023
Total expenses	\$ 3,263,727	\$ 1,155,967	\$ 1,168,043	\$ 399,924	\$ 98,294	\$ 6,446,978

See Independent Auditor's Report.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidating Statement of Financial Position

December 31, 2016

ASSETS	American Players Theatre	APT Foundation	Elimination	Total
Current assets:				
Cash and cash equivalents	\$ 2,615,693	\$ 3,061	\$ 0	\$ 2,618,754
Cash restricted for future improvements	896,312	0	0	896,312
Pledges receivable, current portion	895,495	0	0	895,495
Accounts receivable	76,225	0	(2,500)	73,725
Prepaid expenses	223,948	0	0	223,948
Gift shop inventory	36,916	0	0	36,916
Total current assets	4,744,589	3,061	(2,500)	4,745,150
Other assets:				
APT Foundation Investments	0	265,006	0	265,006
Cash restricted for security deposit	61,200	0	0	61,200
Interest in net assets of the endowment	209,013	0	0	209,013
Pledges receivable	1,783,713	0	0	1,783,713
Total other assets	2,053,926	265,006	0	2,318,932
Property and equipment	13,821,400	0	0	13,821,400
Less: accumulated depreciation	(3,499,071)	0	0	(3,499,071)
Property and equipment, net	10,322,329	0	0	10,322,329
TOTAL ASSETS	\$ 17,120,844	\$ 268,067	(\$ 2,500)	\$ 17,386,411
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 2,527,184	\$ 2,500	(\$ 2,500)	\$ 2,527,184
Other accrued expenses	37,058	0	0	37,058
Deferred ticket revenue	61,474	0	0	61,474
Total current liabilities	2,625,716	2,500	(2,500)	2,625,716
Net assets:				
Unrestricted net assets	10,585,274	265,567	0	10,850,841
Temporarily restricted net assets	3,809,854	0	0	3,809,854
Permanently restricted net assets	100,000	0	0	100,000
Total net assets	14,495,128	265,567	0	14,760,695
TOTAL LIABILITIES AND NET ASSETS	\$ 17,120,844	\$ 268,067	(\$ 2,500)	\$ 17,386,411

See Independent Auditor's Report.

American Players Theatre of Wisconsin, Inc. and Subsidiaries

Consolidating Statement of Activities
Year Ended December 31, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	American Players Theatre	APT Foundation	Total Unrestricted	American Players Theatre	American Players Theatre	
Operating revenue:						
Ticket sales	\$ 3,945,592	\$ 0	\$ 3,945,592	\$ 0	\$ 0	\$ 3,945,592
Sponsorship fees	88,843	0	88,843	0	0	88,843
Concession revenue	544,144	0	544,144	0	0	544,144
Education revenue	66,413	0	66,413	0	0	66,413
Investment income (loss)	2,518	6,920	9,438	0	0	9,438
Other	21,832	0	21,832	0	0	21,832
Loss on disposal	(22,734)	0	(22,734)	0	0	(22,734)
Total operating revenue	4,646,608	6,920	4,653,528	0	0	4,653,528
Operating expenses:						
Artistic and production	3,327,759	0	3,327,759	0	0	3,327,759
Marketing and patron services	1,124,336	0	1,124,336	0	0	1,124,336
General and administrative	1,036,382	2,500	1,038,882	0	0	1,038,882
Fund-raising	358,848	0	358,848	0	0	358,848
Education	98,562	0	98,562	0	0	98,562
Total operating expenses	5,945,887	2,500	5,948,387	0	0	5,948,387
Gain (loss) from operations	(1,299,279)	4,420	(1,294,859)	0	0	(1,294,859)
Support:						
Contributions for operations	1,145,929	0	1,145,929	128,847	0	1,274,776
Contributions for capital improvements	29,227	0	29,227	1,343,455	0	1,372,682
Grants	92,350	0	92,350	0	0	92,350
Contributions for APT Foundation	0	7,000	7,000	0	0	7,000
Gain on APT Foundation investments	0	16,006	16,006	0	0	16,006
Gain on net assets of endowments	0	0	0	16,386	0	16,386
Net assets released from restrictions for operations	131,544	0	131,544	(131,544)	0	0
Net assets released from restrictions for capital improvements	3,108,704	0	3,108,704	(3,108,704)	0	0
Total support	4,507,754	23,006	4,530,760	(1,751,560)	0	2,779,200
Income from current activities	3,208,475	27,426	3,235,901	(1,751,560)	0	1,484,341
Depreciation expense	346,281	0	346,281	0	0	346,281
Changes in net assets	2,862,194	27,426	2,889,620	(1,751,560)	0	1,138,060
Net assets - Beginning of year	7,723,080	238,141	7,961,221	5,561,414	100,000	13,622,635
Net assets - End of year	\$ 10,585,274	\$ 265,567	\$ 10,850,841	\$ 3,809,854	\$ 100,000	\$ 14,760,695

See Independent Auditor's Report.