

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended June 30, 2015
(With Summarized Totals for the Year Ended June 30, 2014)

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Independent Auditors' Report

Board of Directors
Skylight Music Theatre Corp.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Skylight Music Theatre Corp. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skylight Music Theatre Corp. as of June 30, 2015, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Skylight Music Theatre Corp. June 30, 2014 financial statements, and our report dated September 22, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 11, 2015
Milwaukee, Wisconsin

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Financial Position
June 30, 2015
(With Summarized Totals for June 30, 2014)

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets:		
Cash and equivalents	\$ 128,832	\$ 148,531
Accounts receivable	12,631	20,146
Contributions and grants receivable, net	299,719	271,250
Inventory	13,197	11,763
Prepaid expenses	74,767	90,954
Total current assets	529,146	542,644
Fixed assets:		
Fixed assets	7,575,398	7,533,851
Accumulated depreciation	(5,812,352)	(5,614,316)
Net fixed assets	1,763,046	1,919,535
Long-term assets:		
Beneficial interest - Greater Milwaukee Foundation Endowment Funds	---	276,931
Long-term investments - Endowment	1,762,926	1,978,253
Contributions and grants receivable, net	4,535	5,232
Total long-term assets	1,767,461	2,260,416
Other assets	11,898	1,118
Total assets	\$ 4,071,551	\$ 4,723,713
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$ 63,949	\$ 49,881
Accrued payroll and tax liabilities	21,735	24,703
Deferred revenue	314,917	377,785
Line of credit	771,971	714,971
Current portion capital lease	5,683	5,683
Total current liabilities	1,178,255	1,173,023
Long-term liabilities:		
Capital lease	19,890	25,573
Less: Current portion	(5,683)	(5,683)
Total long-term liabilities	14,207	19,890
Other liabilities:		
Security deposits	7,850	2,500
Total liabilities	1,200,312	1,195,413
Net Assets:		
Unrestricted	757,903	993,249
Temporarily restricted	350,410	350,588
Permanently restricted	1,762,926	2,184,463
Total net assets	2,871,239	3,528,300
Total liabilities and net assets	\$ 4,071,551	\$ 4,723,713

The accompanying notes to financial statements
are an integral part of these statements.

SKYLIGHT MUSIC THEATRE CORP.

Milwaukee, Wisconsin

Statement of Activities

For the Year Ended June 30, 2015

(With Summarized Totals for the Year Ended June 30, 2014)

	<u>Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support and Revenue					
Public support revenue					
Contributions	\$ 508,692	\$ 271,208	\$ ---	\$ 779,900	\$ 833,863
Special events, net	38,236	---	---	38,236	90,075
United Performing Arts Fund	482,725	107,625	---	590,350	599,885
Governmental grants	44,650	---	---	44,650	23,267
Program service fees	7,875	---	---	7,875	7,180
Investment income	26,829	40	---	26,869	325,656
Rental income	304,313	---	---	304,313	275,098
Other income	99,629	---	---	99,629	106,709
Donated goods and services	18,812	---	---	18,812	18,810
Net assets released from restrictions	800,588	(379,051)	(421,537)	---	---
Total public support revenue	<u>2,332,349</u>	<u>(178)</u>	<u>(421,537)</u>	<u>1,910,634</u>	<u>2,280,543</u>
Performance revenue					
Season ticket income	436,348	---	---	436,348	461,054
Single ticket sales	640,124	---	---	640,124	841,838
Total performance revenue	<u>1,076,472</u>	<u>---</u>	<u>---</u>	<u>1,076,472</u>	<u>1,302,892</u>
Total support and revenue	<u>3,408,821</u>	<u>(178)</u>	<u>(421,537)</u>	<u>2,987,106</u>	<u>3,583,435</u>
Expenses:					
Program services	3,069,355	---	---	3,069,355	3,193,891
General and administrative	397,544	---	---	397,544	440,366
Fundraising	177,268	---	---	177,268	186,138
Total expenses	<u>3,644,167</u>	<u>---</u>	<u>---</u>	<u>3,644,167</u>	<u>3,820,395</u>
Change in net assets	(235,346)	(178)	(421,537)	(657,061)	(236,960)
Net assets, beginning of year	<u>993,249</u>	<u>350,588</u>	<u>2,184,463</u>	<u>3,528,300</u>	<u>3,765,260</u>
Net assets, end of year	<u>\$ 757,903</u>	<u>\$ 350,410</u>	<u>\$ 1,762,926</u>	<u>\$ 2,871,239</u>	<u>\$ 3,528,300</u>

The accompanying notes to financial statements
are an integral part of these statements.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Cash Flows
For the Year Ended June 30, 2015
(With Summarized Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (657,061)	\$ (236,960)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	198,037	197,070
Net realized and unrealized (gain) loss on investments	43,706	(226,569)
Change in interest in assets of The Greater Milwaukee Foundation	(813)	(26,235)
Change in assets and liabilities:		
Accounts receivable	7,515	487
Contributions and grants receivable	(27,772)	(82,996)
Inventory	(1,434)	(4,539)
Prepaid expenses	16,187	(5,953)
Other assets	(10,780)	(122)
Accounts payable	14,068	(10,727)
Accrued payroll and tax liabilities	(2,968)	4,513
Deferred revenue	(62,868)	(22,143)
Security deposits	5,350	1,100
Total adjustments	178,228	(176,114)
Net cash (used) by operating activities	(478,833)	(413,074)
Cash Flows From Investing Activities:		
Purchase of investments	(1,334,046)	(1,480,379)
Proceeds from sale of investments	1,783,410	1,659,221
Purchase of fixed assets	(41,547)	(42,675)
Net cash provided by investing activities	407,817	136,167
Cash Flows From Financing Activities:		
Proceeds from line of credit	357,000	545,000
Payments on line of credit	(300,000)	(275,000)
Payments on capital lease obligation	(5,683)	(4,733)
Net cash provided by financing activities	51,317	265,267
Decrease in cash and equivalents	(19,699)	(11,640)
Cash at beginning of year	148,531	160,171
Cash at end of year	\$ 128,832	\$ 148,531
Supplemental Cash Flow Information:		
Cash paid during the year for interest	\$ 32,309	\$ 32,026
Noncash investing and financing activities:		
Equipment acquired through capital lease	\$ ---	\$ 28,414

The accompanying notes to financial statements
are an integral part of these statements.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies

Nature of Activities

Skylight Music Theatre Corp. (Organization) is a not-for-profit corporation organized under the laws of the State of Wisconsin. The mission of the Skylight Music Theatre Corp. is to bring the full spectrum of musical theatre works to a wide and diverse audience in celebration of the musical and theatrical arts and their reflection of the human condition.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP). Under U.S. GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization's changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at unpaid balances net of an allowance for doubtful accounts based on historical collection experience and a review of the current status of accounts receivable. Skylight Music Theatre Corp. was gifted a note receivable in the June 30, 2013 fiscal year valued at \$100,000. Management decided to take a conservative approach with this 10 year note and set up an allowance for uncollectible accounts of \$100,000 for the year ended June 30, 2015.

Inventories

The Organization purchases building materials for set production. Inventories are recorded on a first-in, first-out (FIFO) basis.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Investment Valuation and Income Recognition

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

The following is a description of the valuation methodologies used for assets measured at fair value.

Common Stocks, corporate bonds, and U.S. government securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (NAV) of shares held by the Organization at year-end.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Realized gains and losses and unrealized appreciation and depreciation of assets are reported in the statement of activities.

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

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$198,037 for the year ended June 30, 2015. The Organization capitalizes all property and equipment over \$1,000.

Advertising Costs

The Organization uses advertising to promote its programs among audiences it serves. Advertising costs are expensed the first time the advertising takes place. Advertising expense for the year ended June 30, 2015 was \$153,345. Prepaid advertising as of June 30, 2015 was \$39,381.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Income Taxes

The Organization has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of the Organization evaluates the uncertain tax positions taken, if any. The Organization recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense. Management does not believe there are any uncertain tax positions.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for charitable contribution deductions. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Generally, for United States Federal income taxes, the Foundation is only subject to examination for the current year's tax return and the preceding three years' returns. Generally, for state income taxes, the Foundation is only subject to examinations for current year's tax return and the preceding four years' returns.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

2. Contribution and Grants Receivable

Contributions and Grants receivable consist of the following as of June 30, 2015:

<u>Source</u>	<u>Amount</u>
United Performing Arts Fund	\$ 107,623
Foundations	65,000
Individuals	102,631
Corporations	<u>29,000</u>
Total	\$ <u>304,254</u>

Contributions and Grants receivable are due as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2016	\$ 299,719
2017	880
2018	880
2019	880
2020	880
Thereafter	1,760
Less: Present value discount	<u>(745)</u>
Total	\$ <u>304,254</u>

The present value discount was calculated at the Organization's line of credit interest rate of 4.75% at June 30, 2015.

3. Property and Equipment

Property and Equipment consist of the following as of June 30, 2015:

<u>Source</u>	<u>Amount</u>
Land	\$ 84,056
Buildings and renovations	6,162,327
Leasehold improvements	284,962
Equipment	<u>1,044,053</u>
Total property and equipment	7,575,398
Less: accumulated depreciation	<u>(5,812,352)</u>
Net property and equipment	\$ <u>1,763,046</u>

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

4. Beneficial Interest in Perpetual Trust

U.S. GAAP requires that a specified beneficiary recognize its rights to the assets held by a recipient organization unless the donor has explicitly granted the recipient organization variance power. Skylight Music Theatre Corp. transferred some of its investment portfolio to the Greater Milwaukee Foundation (GMF) to establish an endowment. This is reported on the statement of financial position as beneficial interest in Greater Milwaukee Foundation. During the year ended June 30, 2015, the endowment fund held at the GMF was liquidated.

5. Investments – Donor Designated Endowment – UPMIFA

Interpretation of Law

The State of Wisconsin adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. UPMIFA requires that the portion of a donor restricted endowment fund that is classified as permanently restricted net assets is not reduced by losses on the investment of the fund, except for the extent required by the donor. Likewise, the amount of permanently restricted net assets is not reduced by an Organization's appropriations from the fund. The portion of the fund that is not classified as permanently restricted net assets is reported as temporarily restricted net assets until appropriated for expenditure by the Organization.

The Organization has adopted the following investment objectives, acceptable investment, risk and diversifications and spending policies:

Investment Objectives

The primary investment objective of the portfolio is to maximize total rate of return, consistent with preservation of principal. However, all income will be distributed within the fiscal year ending June 30th.

- Fixed Income – the objective of the fixed income asset class is to exceed the Lehman Brothers Government/Intermediate Bond Index on a total return basis over an interest rate cycle.
- Equities – the objective of the equity assets class is to exceed the S&P 500 Index on a total return basis over a complete business cycle

Asset Mix

The fund will pursue the following long-term allocation and rebalancing ranges:

Asset Class	Asset Allocation	Rebalancing Range
Cash and equivalents	0%	0 – 20%
Fixed income	35%	25 – 65%
US equities	50%	20 – 60%
International equities	15%	0 – 30%

Except for an unusual market when there is a major downside risk in a particular asset class, movement out of the normal ranges will be avoided.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

5. Investments – Donor Designated Endowment – UPMIFA (Continued)

Acceptable Investments

A. Money Market and Fixed Income Investments

1. Securities of the U.S. Government or agencies thereof
2. Taxable fixed income securities with a minimum investment grade (BAA+) rating at time of purchase by Moody's and Standard and Poor's
3. Commercial paper and variable rate demand notes of domestic corporations rates A-1 or P-1, or if unrated, restricted to those issuers whose long-term debt is rated A or higher by one of the major rating agencies
4. Bankers acceptances and certificates of deposit of major domestic banks and domestic subsidiaries of foreign banks meeting the quality criteria in item 3 above and meeting additional criteria established by investment counsel
5. Repurchase agreements 100% collateralized with respect to market value plus accrued interest in direct U.S. government securities
6. Money market funds adhering to the quality guidelines described in items 1-5 above

B. Equities

1. Marketable common stocks or securities convertible into common stock

C. Mutual funds/Other

1. No Load Mutual Funds and Exchange Traded Funds (ETF) which invest in securities meeting the above stated guidelines and are consistent with overall objectives

Diversification

- A. Total issues of any one corporation may not exceed 10% of the market value of the entire portfolio at time of purchase.
- B. Fixed income securities of any one issue may not exceed 10% of the market value of the fixed income portfolio at time of purchase.
- C. The above restrictions do not apply to issues of U.S. Government or to any issues guaranteed as to both principal and interest by the U.S. Government.
- D. Individual equity investments may not exceed 5% of the market value of the equity portfolio at time of purchase.
- E. Investments in American depository receipts or in the securities of foreign issues may not exceed 25% of the equity portfolio.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

5. Investments – Donor Designated Endowment – UPMIFA (Continued)

Spending Policy

- A. Distribution from the endowment must be approved by the Board of Directors at a regularly scheduled or special meeting. The majority of those must affirm the recommendation presented.
- B. Distribution may be made on a schedule as recommended by staff and approved by the Investment Committee of the Board of Directors or the full Board of Directors.
- C. Fiscal year distributions may not exceed 5% of a twenty quarter rolling average market value of the endowment fund, as a whole. Until such time as the endowment fund, as a whole, has a life span of twenty quarters, the life span of the fund may be used to determine the average market value of the endowment fund, as a whole.
- D. The twenty quarter rolling average market value will be based on a start date of June 30th of the fiscal year prior to the start of the fiscal year during which funds will be drawn.
- E. One quarter (25%) of the calculated distribution will be taken in each of the four quarters of the fiscal year during which the funds will be drawn, on a schedule to be determined by the Managing Director.
- F. These policies must be reviewed on an annual basis by the Investment Committee of the Board of Directors or the full Board of Directors.
- G. These policies may be changed by a majority vote of the Board of Directors present at a regularly scheduled or special meeting.

This statement of investment objectives should be reviewed by the Investment Committee and fund advisor(s) annually.

Endowment investment composition as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, end of year	\$ ---	\$ 1,762,926	\$ 1,762,926

Changes in endowment investments as of June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, beginning of year	\$ 23,790	\$ 1,954,463	\$ 1,978,253
Investment income	68,379	---	68,379
Net depreciation	(43,706)	---	(43,706)
Amounts appropriated for expenditure	(48,463)	(191,537)	(240,000)
Endowment investments, end of year	\$ ---	\$ 1,762,926	\$ 1,762,926

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2015
(Continued)

5. Investments – Donor Designated Endowment – UPMIFA (Continued)

Investments as of June 30, 2015, consist of pooled funds as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 16,836	\$ 16,836	---
Stocks	778,393	1,041,852	263,459
Bonds	712,878	704,238	(8,640)
Total	<u>\$ 1,508,107</u>	<u>\$ 1,762,926</u>	<u>\$ 254,819</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Management assessed individual investment securities as to whether declines in market value are temporary or other than temporary. In assessing an issuer's financial condition, management evaluates various financial indicators. The length of time and extent to which the fair value of the investment is less than cost and the Organization's ability and intent to retain the investment to allow for any anticipated recovery of the investment's fair value are key components as to whether management deems declines in fair value as temporary or other than temporary. If declines are determined to be other than temporary, the Organization records a realized loss in investment income. At June 30, 2015, the Organization did not recognize a realized loss for an other than temporary decline.

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of June 30, 2015:

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>			<u>Total Assets at Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market Fund	\$ 16,836	\$ ---	\$ ---	\$ 16,836
Stocks	1,041,852	---	---	1,041,852
Bonds	---	704,238	---	704,238
Total	<u>\$ 1,058,688</u>	<u>\$ 704,238</u>	<u>\$ ---</u>	<u>\$ 1,762,926</u>

The Greater Milwaukee Foundation investments include equity securities, fixed income securities, absolute return hedge funds, and long/short equity hedge funds. The funds are held by the Greater Milwaukee Foundation.

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2015:

	<u>GMF Investment</u>
Balance, beginning of year	\$276,931
Total gain or loss (realized/unrealized)	2,156
Purchases, sales, issuances and settlements (net)	<u>(279,087)</u>
Balance, end of year	<u>\$ ---</u>

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2015
(Continued)

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are set aside in accordance with donor restrictions as to time or purpose. Temporarily restricted net assets are available for the following purposes at June 30, 2015:

Operations	\$	107,300
United Performing Arts Fund		107,625
Show Sponsorship		57,445
Artistic Initiatives		28,320
Capital		19,720
Education		<u>30,000</u>
Total temporarily restricted net assets	\$	<u>350,410</u>

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose, or by occurrence of other events specified by donors. Net assets released from restrictions as of June 30, 2015 are as follows:

Temporarily Restricted:		
Operations	\$	109,285
United Performing Arts Fund		109,523
Show Sponsorship		30,000
Artistic Initiatives		65,368
Capital		29,625
Education		<u>35,250</u>
Total temporarily restricted		379,051
Permanently Restricted:		
Operations		<u>421,537</u>
Total net assets released from restriction	\$	<u>800,588</u>

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. At June 30, 2015, the Organization had \$1,762,926 of permanently restricted net assets. Permanently restricted net assets are as follows:

Self-Managed Endowment:		
Education	\$	250,000
Artistic Direction		250,000
Artistic Initiatives		55,764
Operations		<u>1,207,162</u>
Total permanently restricted net assets	\$	<u>1,762,926</u>

7. Deferred Revenue – Ticket Sales

Deferred revenue as of June 30, 2015 was \$314,917. The Organization defers recognition of advance ticket sales until the first quarter of the subsequent season, at which time the sales are credited to revenue.

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2015
(Continued)

8. Line of Credit

As of June 30, 2015, pursuant to an agreement with a bank, the Organization had a line of credit of \$900,000 available with an interest rate of 1% over Johnson Bank Reference Rate with a minimum of 4.75% secured by general business assets and is due on November 30, 2015. The amount outstanding as of June 30, 2015 was \$771,971.

9. Capital Lease

The Organization entered into a capital lease as the result of a like-kind exchange of similar office equipment under capital leases. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the leases and, accordingly, it is recorded in the Organization's assets and liabilities.

The leases present value of future year payments is more than 90% of the equipment value and is therefore treated as a capital lease. The following is a schedule by years of the future minimum payments required under the lease as of June 30, 2015:

<u>Years ending June 30,</u>	<u>Amount</u>
2016	\$ 5,683
2017	5,683
2018	5,683
2019	<u>2,841</u>
Total	\$ <u>19,890</u>

10. Lease Agreement

The Organization leases space in its primary operating facility to other third-party organizations under operating leases. The leases provide operating space for the lessees on an annual basis as well as the ability to lease theatre and rehearsal space. Rent revenue for the year ended June 30, 2015 was \$304,313.

The following is a schedule of the future minimum lease revenues required under the lease as of June 30, 2015:

<u>Years ending June 30,</u>	<u>Amount</u>
2016	\$ 77,510
2017	<u>28,313</u>
Total	\$ <u>105,823</u>

SKYLIGHT MUSIC THEATRE CORP.
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11. Operational Lease

The Organization leases warehouse space under an operational lease.

The following is a schedule of the future minimum lease revenues required under the lease as of June 30, 2015:

<u>Years ending June 30,</u>	<u>Amount</u>
2016	\$ 57,699
2017	59,508
2018	61,884
2019	64,356
2020	<u>32,808</u>
Total	\$ <u>276,255</u>

Rent expense for the year ended June 30, 2015 was \$74,253.

12. Donated Goods and Services

The Organization received printing and copying services, management fees, a piano and first aid training. These total in-kind donations of \$18,812 consisted of \$1,800 for a piano \$14,121 of waived investment management fees, \$261 of first aid training, \$500 for grant writing, \$200 *Into the Woods* tech week lunch, and \$1,930 for printing and copying services. These donations were valued at fair market value on the date of the donation.

13. Subsequent Events

Management of the Organization has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, November 11, 2015. There were no subsequent events that require disclosure in the notes to the financial statements.