

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended June 30, 2016
(With Summarized Totals for the Year Ended June 30, 2015)

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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, 2016, 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, 2016, 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, 2015 financial statements, and our report dated November 11, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Railly, Penner & Benton LLP

September 23, 2016
Milwaukee, Wisconsin

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Financial Position
June 30, 2016
(With Summarized Totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets:		
Cash and equivalents	\$ 236,827	\$ 128,832
Accounts receivable	21,912	12,631
Contributions and grants receivable, net	258,611	299,719
Inventory	17,815	13,197
Prepaid expenses	44,470	74,767
Total current assets	579,635	529,146
Property and Equipment:		
Property and equipment:	7,583,198	7,575,398
Accumulated depreciation	(6,022,679)	(5,812,352)
Net fixed assets	1,560,519	1,763,046
Long-term assets:		
Long-term investments - Endowment	1,240,168	1,762,926
Contributions and grants receivable, net	12,755	4,535
Total long-term assets	1,252,923	1,767,461
Other assets		
	9,349	11,898
Total assets	\$ 3,402,426	\$ 4,071,551
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$ 63,399	\$ 63,949
Accrued payroll and tax liabilities	16,358	21,735
Deferred revenue	263,583	314,917
Line of credit	845,342	771,971
Current portion capital lease	5,683	5,683
Total current liabilities	1,194,365	1,178,255
Long-term liabilities:		
Capital lease	14,207	19,890
Less: Current portion	(5,683)	(5,683)
Total long-term liabilities	8,524	14,207
Other liabilities:		
Security deposits	2,089	7,850
Other liabilities	727	---
Total other liabilities	2,816	7,850
Total liabilities	1,205,705	1,200,312
Net Assets:		
Unrestricted	550,107	757,903
Temporarily restricted	406,446	350,410
Permanently restricted	1,240,168	1,762,926
Total net assets	2,196,721	2,871,239
Total liabilities and net assets	\$ 3,402,426	\$ 4,071,551

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, 2016
(With Summarized Totals for the Year Ended June 30, 2015)

	<u>Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support and Revenue					
Public support revenue					
Contributions	\$ 417,165	\$ 251,665	\$ ---	\$ 668,830	\$ 779,900
Special events, net	21,499	---	---	21,499	38,236
United Performing Arts Fund	493,392	109,200	---	602,592	590,350
Governmental grants	28,747	---	---	28,747	44,650
Donated goods and services	23,974	---	---	23,974	18,812
Net assets released from restrictions	827,633	(304,875)	(522,758)	---	---
Total public support revenue	1,812,410	55,990	(522,758)	1,345,642	1,471,948
Performance revenue					
Season ticket income	369,062	---	---	369,062	436,348
Single ticket sales	728,540	---	---	728,540	640,124
Total performance revenue	1,097,602	---	---	1,097,602	1,076,472
Other Revenue					
Program service fees	7,527	---	---	7,527	7,875
Investment income (loss)	(22,580)	46	---	(22,534)	26,869
Rental income	320,990	---	---	320,990	304,313
Other income	104,982	---	---	104,982	99,629
Gain on sale of donated stock	1,311	---	---	1,311	---
Total other revenue	412,230	46	---	412,276	438,686
 Total support and revenue	 3,322,242	 56,036	 (522,758)	 2,855,520	 2,987,106
Expenses:					
Program services	2,970,007	---	---	2,970,007	3,069,355
General and administrative	427,958	---	---	427,958	397,544
Fundraising	132,073	---	---	132,073	177,268
Total expenses	3,530,038	---	---	3,530,038	3,644,167
 Change in net assets	 (207,796)	 56,036	 (522,758)	 (674,518)	 (657,061)
Net assets, beginning of year	757,903	350,410	1,762,926	2,871,239	3,528,300
Net assets, end of year	\$ 550,107	\$ 406,446	\$ 1,240,168	\$ 2,196,721	\$ 2,871,239

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, 2016

(With Summarized Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (674,518)	\$ (657,061)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	210,326	198,037
Net realized and unrealized (gain) loss on investments	68,887	43,706
Change in interest in assets of The Greater Milwaukee Foundation	---	(813)
Change in assets and liabilities:		
Accounts receivable	(9,281)	7,515
Contributions and grants receivable	32,888	(27,772)
Inventory	(4,618)	(1,434)
Prepaid expenses	30,297	16,187
Other assets	2,549	(10,780)
Accounts payable	(550)	14,068
Accrued payroll and tax liabilities	(5,377)	(2,968)
Deferred revenue	(51,334)	(62,868)
Security deposits	(5,761)	5,350
Other liabilities	727	---
Total adjustments	<u>268,753</u>	<u>178,228</u>
Net cash (used) by operating activities	<u>(405,765)</u>	<u>(478,833)</u>
Cash Flows From Investing Activities:		
Purchase of investments	(668,287)	(1,334,046)
Proceeds from sale of investments	1,122,159	1,783,410
Purchase of fixed assets	(7,800)	(41,547)
Net cash provided by investing activities	<u>446,072</u>	<u>407,817</u>
Cash Flows From Financing Activities:		
Proceeds from line of credit	170,000	357,000
Payments on line of credit	(96,629)	(300,000)
Payments on capital lease obligation	(5,683)	(5,683)
Net cash provided by financing activities	<u>67,688</u>	<u>51,317</u>
Change in cash and equivalents	107,995	(19,699)
Cash at beginning of year	<u>128,832</u>	<u>148,531</u>
Cash at end of year	<u>\$ 236,827</u>	<u>\$ 128,832</u>
Supplemental Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 38,887</u>	<u>\$ 32,309</u>

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, 2016

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, 2016.

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, 2016
(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 closing price reported on the active market on which the individual securities are traded.

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, 2016
(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 \$210,326 for the year ended June 30, 2016. 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 in the fiscal year in which the revenue is recognized. Advertising expense for the year ended June 30, 2016 was \$147,314. Prepaid advertising as of June 30, 2016 was \$18,937.

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 Organization is only subject to examination for the current year's tax return and the preceding three years' returns. Generally, for state income taxes, the Organization is only subject to examinations for current year's tax return and the preceding four years' returns.

2. Contribution and Grants Receivable

Contributions and Grants receivable consist of the following as of June 30, 2016:

<u>Source</u>	<u>Amount</u>
United Performing Arts Fund	\$ 109,200
Foundations	105,000
Individuals	48,416
Corporations	<u>8,750</u>
Total	\$ <u>271,366</u>

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2016
(Continued)

2. Contribution and Grants Receivable (Continued)

Contributions and Grants receivable are due as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 258,611
2018	2,380
2019	2,380
2020	2,380
2021	2,380
Thereafter	5,380
Less: Present value discount	<u>(2,145)</u>
Total	\$ <u>271,366</u>

The present value discount was calculated at the Organization's line of credit interest rate of 4.75% at June 30, 2016.

3. Property and Equipment

Property and Equipment consist of the following as of June 30, 2016:

<u>Source</u>	<u>Amount</u>
Land	\$ 84,056
Buildings and renovations	6,162,327
Leasehold improvements	284,962
Equipment	<u>1,051,853</u>
Total property and equipment	7,583,198
Less: accumulated depreciation	<u>(6,022,679)</u>
Net property and equipment	\$ <u>1,560,519</u>

4. 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:

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2016
(Continued)

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

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.

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

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2016
(Continued)

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

Acceptable Investments (Continued)

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.

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.

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2016
(Continued)

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

Spending Policy

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, 2016 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, end of year	\$ ---	\$ 1,240,168	\$ 1,240,168

Changes in endowment investments as of June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, beginning of year	\$ ---	\$ 1,762,926	\$ 1,762,926
Investment income	46,129	---	46,129
Net depreciation	(68,887)	---	(68,887)
Amounts appropriated for expenditure	<u>22,758</u>	<u>(522,758)</u>	<u>(500,000)</u>
Endowment investments, end of year	\$ ---	\$ 1,240,168	\$ 1,240,168

Investments as of June 30, 2016, consist of pooled funds as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 23,313	\$ 23,313	\$ ---
Stock funds	524,822	642,406	117,584
Bond funds	577,815	574,449	(3,366)
Total	\$ <u>1,125,950</u>	\$ <u>1,240,168</u>	\$ <u>114,218</u>

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2016
(Continued)

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

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, 2016, 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, 2016:

<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	\$ 23,313	\$ ---	\$ ---	\$ 23,313
Stock Funds	642,406	---	---	642,406
Bond Funds	574,449	---	---	574,449
Total	\$ 1,240,168	\$ ---	\$ ---	\$ 1,240,168

5. 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, 2016:

Operations	\$ 76,536
United Performing Arts Fund	109,200
Show Sponsorship	53,670
Artistic Initiatives	2,320
Capital	134,720
Education	30,000
Total temporarily restricted net assets	\$ 406,446

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2016
(Continued)

5. Temporarily and Permanently Restricted Net Assets (Continued)

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, 2016 are as follows:

Temporarily Restricted:	
Operations	\$ 98,750
United Performing Arts Fund	107,625
Show Sponsorship	42,500
Artistic Initiatives	26,000
Education	<u>30,000</u>
Total temporarily restricted	304,875
Permanently Restricted:	
Operations	<u>522,758</u>
Total net assets released from restriction	\$ <u>827,633</u>

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. At June 30, 2016, the Organization had \$1,240,168 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>684,404</u>
Total permanently restricted net assets	\$ <u>1,240,168</u>

6. Deferred Revenue – Ticket Sales

Deferred revenue as of June 30, 2016 was \$263,583. 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.

7. Line of Credit

As of June 30, 2016, 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, 2016. The amount outstanding as of June 30, 2016 was \$845,342.

8. 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.

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2016
(Continued)

8. Capital Lease (Continued)

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, 2016:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 5,683
2018	5,683
2019	<u>2,841</u>
Total	\$ <u>14,207</u>

9. 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, 2016 was \$320,990.

The following is a schedule of the future minimum lease revenues required under the lease as of June 30, 2016:

<u>Years ending June 30,</u>	<u>Amount</u>
2017	\$ 28,313

10. 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, 2016:

<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, 2016 was \$71,473.

11. Donated Goods and Services

The Organization received lighting rental services, printing and copying services, and management fees. These total in-kind donations of \$23,974 consisted of \$11,250 of waived investment management fees, \$6,060 for lighting rental, and \$1,500 for printing and copying services. There were also various items and services donated for the special event auctions totaling 5,164. These donations were valued at fair market value on the date of the donation.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2016
(Continued)

12. 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, September 23, 2016. There were no subsequent events that require disclosure in the notes to the financial statements.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Summarized Totals for the Year Ended June 30, 2015)

Expenses	Program Services	General and Administrative	Fundraising	2016 Total	2015 Total
Salaries and wages	\$ 1,451,440	\$ 158,471	\$ 89,542	\$ 1,699,453	\$ 1,773,743
Employee benefits	165,405	32,986	7,490	205,881	189,590
Payroll taxes	115,330	12,313	7,451	135,094	146,782
Professional fees	148,501	36,049	---	184,550	194,819
Scholarships	500	---	---	500	500
Supplies	24,232	2,471	329	27,032	30,556
Telephone	1,994	4,350	---	6,344	8,823
Postage	11,655	4,904	797	17,356	27,723
Printing	12,153	---	1,058	13,211	31,011
Occupancy	71,473	---	---	71,473	74,253
Utilities	94,323	---	---	94,323	99,661
Real estate taxes	---	8,903	---	8,903	10,364
Production materials	106,913	---	---	106,913	127,837
Equipment rental & maintenance	29,396	---	---	29,396	22,761
Depreciation expense	210,326	---	---	210,326	198,037
Royalties	76,422	---	---	76,422	94,213
Housing	50,269	---	---	50,269	43,199
Travel	25,913	---	---	25,913	22,010
Interest	---	38,887	---	38,887	32,309
Insurance	---	71,637	---	71,637	60,514
Membership dues	1,730	5,261	69	7,060	835
Staff development	---	2,280	3,342	5,622	690
Bar expenses	672	---	---	672	2,854
Advertising	147,314	---	---	147,314	153,345
Repairs & maintenance	52,951	5,041	---	57,992	61,672
Lease expense	---	13,411	---	13,411	17,709
Credit card fees	38,926	---	2,031	40,957	39,525
Bad debt expense	---	---	10,814	10,814	250
Information technology	74,222	---	1,925	76,147	55,647
Workshops	2,067	---	---	2,067	2,692
Other expenses	55,880	30,994	7,225	94,099	120,243
Totals	\$ 2,970,007	\$ 427,958	\$ 132,073	\$ 3,530,038	\$ 3,644,167

See independent auditors' report.