

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended June 30, 2013
(With Summarized Totals for the Year Ended June 30, 2012)

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 16
Schedule of Functional Expenses	17

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

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, 2013, 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.

Auditor's 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

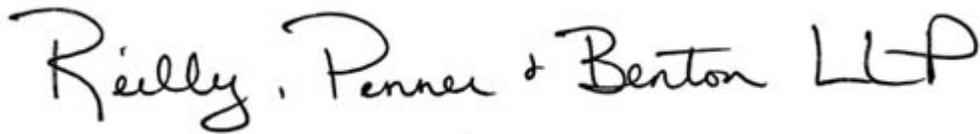
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skylight Music Theatre Corp. as of June 30, 2013, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Skylight Music Theatre Corp. June 30, 2012 financial statements, and our report dated October 29, 2012, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Rielly, Penner & Benton LLP

November 01, 2013
Milwaukee, Wisconsin

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Financial Position
June 30, 2013
(With Summarized Totals for June 30, 2012)

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Cash and equivalents	\$ 160,171	\$ 187,241
Accounts receivable	20,633	24,392
Contributions and grants receivable	193,486	433,725
Inventory	7,224	9,400
Prepaid expenses	85,001	88,552
Total current assets	466,515	743,310
Fixed assets:		
Fixed assets	7,485,499	7,334,944
Accumulated depreciation	(5,436,285)	(5,220,557)
Net fixed assets	2,049,214	2,114,387
Long-term assets:		
Beneficial interest - Greater Milwaukee Foundation Endowment Funds	250,696	520,777
Long-term investments - Endowment	1,929,864	1,851,373
Total long-term assets	2,180,560	2,372,150
Other assets	996	2,600
Total assets	\$ 4,697,285	\$ 5,232,447
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$ 42,397	\$ 101,996
Accrued payroll and tax liabilities	20,190	24,977
Deferred revenue	399,928	395,170
Line of credit	444,471	724,471
Current portion capital lease	4,653	4,653
Total current liabilities	911,639	1,251,267
Long-term liabilities:		
Capital lease	5,428	10,081
Less: Current portion	(4,653)	(4,653)
Total long-term liabilities	775	5,428
Other liabilities:		
Security deposits	1,400	1,257
Other liabilities	18,211	---
Total other liabilities	19,611	1,257
Total liabilities	932,025	1,257,952
Net Assets:		
Unrestricted	1,291,192	804,240
Temporarily restricted	289,605	685,792
Permanently restricted	2,184,463	2,484,463
Total net assets	3,765,260	3,974,495
Total liabilities and net assets	\$ 4,697,285	\$ 5,232,447

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, 2013
(With Summarized Totals for the Year Ended June 30, 2012)

	<u>Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Support and Revenue					
Public support revenue					
Contributions	\$ 483,418	\$ 350,483	\$ ---	\$ 833,901	\$ 789,211
Special events	93,754	---	---	93,754	83,994
United Performing Arts Fund	141,357	89,436	---	230,793	514,064
Governmental grants	27,137	---	---	27,137	21,058
Program service fees	6,881	---	---	6,881	6,406
Investment income (loss)	280,532	69	---	280,601	(12,516)
Rental income	261,517	---	---	261,517	288,221
Other income	133,551	---	---	133,551	90,541
Donated goods and services	20,260	---	---	20,260	38,814
Net assets released from restrictions	1,136,175	(836,175)	(300,000)	---	---
Total public support revenue	2,584,582	(396,187)	(300,000)	1,888,395	1,819,793
Performance revenue					
Season ticket income	469,495	---	---	469,495	420,639
Single ticket sales	1,099,122	---	---	1,099,122	600,270
Total performance revenue	1,568,617	---	---	1,568,617	1,020,909
Total support and revenue	4,153,199	(396,187)	(300,000)	3,457,012	2,840,702
Expenses:					
Program services	3,010,020	---	---	3,010,020	2,785,668
General and administrative	441,718	---	---	441,718	589,059
Fundraising	214,509	---	---	214,509	238,877
Total expenses	3,666,247	---	---	3,666,247	3,613,604
Change in net assets	486,952	(396,187)	(300,000)	(209,235)	(772,902)
Net assets, beginning of year	804,240	685,792	2,484,463	3,974,495	4,747,397
Net assets, end of year	\$ 1,291,192	\$ 289,605	\$ 2,184,463	\$ 3,765,260	\$ 3,974,495

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 Ended June 30, 2013
(With Summarized Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (209,235)	\$ (772,902)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	215,728	248,933
Net realized and unrealized (gain) loss on investments	(189,675)	58,359
Change in interest in assets of The Greater Milwaukee Foundation	270,081	29,798
Change in assets and liabilities:		
Accounts receivable	3,759	(2,865)
Contributions and grants receivable	240,239	146,445
Inventory	2,176	(3,901)
Prepaid expenses	3,551	14,653
Other assets	1,604	(1,251)
Accounts payable	(59,599)	77,922
Accrued payroll and tax liabilities	(4,787)	7,018
Deferred revenue	4,758	10,321
Security deposits	143	(406)
Other liabilities	18,211	(13,342)
Total adjustments	506,189	571,684
Net cash provided (used) by operating activities	296,954	(201,218)
 Cash Flows From Investing Activities:		
Purchase of investments	(1,355,602)	(301,746)
Proceeds from sale of investments	1,466,398	342,350
Purchase of fixed assets	(150,555)	(184,390)
Net cash used by investing activities	(39,759)	(143,786)
 Cash Flows From Financing Activities:		
Proceeds from line of credit	220,000	372,000
Payments on line of credit	(500,000)	(46,500)
Payments on capital lease obligation	(4,265)	(4,265)
Net cash provided (used) by financing activities	(284,265)	321,235
 Decrease in cash and equivalents	(27,070)	(23,769)
 Cash at beginning of year	187,241	211,010
 Cash at end of year	\$ 160,171	\$ 187,241
 Supplemental Cash Flow Information:		
Cash paid during the year for interest	\$ 23,249	\$ 29,782

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, 2013

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 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, 2013.

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, 2013

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 Plan 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, 2013

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. 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, 2013 was \$151,517. Prepaid advertising as of June 30, 2013 was \$43,175.

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. The Organization is no longer subject to U.S. federal income tax examinations for years ending through June 30, 2010 and Wisconsin taxing authorities for years ending before June 30, 2009.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

2. Contribution and Grants Receivable

Contributions and Grants receivable consist of the following as of June 30, 2013:

<u>Source</u>	<u>Amount</u>
United Performing Arts Fund	\$ 89,436
Foundations	65,000
Individuals	35,750
Corporations	<u>3,300</u>
Total	\$ <u>193,486</u>

Contributions and Grants receivable are due as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 192,612
2015	916
Less: Present value discount	<u>(42)</u>
Total	\$ <u>193,486</u>

The present value discount was calculated at the Organization's line of credit interest rate of 4.75% at June 30, 2013.

3. Property and Equipment

Property and Equipment consist of the following as of June 30, 2013:

<u>Source</u>	<u>Amount</u>
Land	\$ 84,056
Buildings and renovations	6,142,663
Leasehold improvements	284,962
Equipment	<u>973,818</u>
Total property and equipment	7,485,499
Less: accumulated depreciation	<u>(5,436,285)</u>
Net property and equipment	\$ <u>2,049,214</u>

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

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. At June 30, 2013, the endowment fund held at the GMF has a value of \$250,696, which is reported on the statement of financial position as beneficial interest in Greater Milwaukee Foundation.

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, 2013

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, 2013

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, 2013 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, end of year	\$ (24,599)	\$ 1,954,463	\$ 1,929,864

Changes in endowment investments as of June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, beginning of year	\$ (232,061)	\$ 2,083,434	\$ 1,851,373
Investment income	43,536	---	43,536
Net appreciation	189,675	---	189,675
Amounts appropriated for expenditure	<u>(25,749)</u>	<u>(128,971)</u>	<u>(154,720)</u>
Endowment investments, end of year	\$ <u>(24,599)</u>	\$ <u>1,954,463</u>	\$ <u>1,929,864</u>

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

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

Investments as of June 30, 2013, consist of pooled funds as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 6,716	\$ 6,716	\$ ---
Stocks	923,742	1,225,902	302,160
Bonds	697,920	697,246	(674)
Total	<u>\$ 1,628,378</u>	<u>\$ 1,929,864</u>	<u>\$ 301,486</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, 2013, 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, 2013:

<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	\$ 6,716	\$ ---	\$ ---	\$ 6,716
Stocks	1,225,902	---	---	1,225,902
Bonds	---	697,246	---	697,246
GMF Investments	---	---	250,696	250,696
Total	<u>\$ 1,232,618</u>	<u>\$ 697,246</u>	<u>\$ 250,696</u>	<u>\$ 2,180,560</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, 2013:

	<u>GMF Investment</u>
Balance, beginning of year	\$520,777
Total gain or losses (realized/unrealized)	44,762
Purchases, sales, issuances and settlements (net)	<u>(314,843)</u>
Balance, end of year	<u>\$250,696</u>

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

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, 2013:

Operations	\$	87,575
United Performing Arts Fund		89,436*
Artistic Initiatives		5,320
Capital		91,024
Education		<u>16,250</u>
Total temporarily restricted net assets	\$	<u>289,605</u>

*United Performing Arts Fund (UPAF) changed its fund allocation process in 2013. Due to the change, UPAF announced a smaller initial allocation in 2013 for the following year than in prior years. Although the change resulted in a reduction in temporarily restricted revenue of approximately \$250,000 in 2013, UPAF's total funding to Skylight will increase in 2014.

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, 2013 are as follows:

Temporarily Restricted:		
Operations	\$	176,685
United Performing Arts Fund		345,200
Artistic Initiatives		25,000
Capital		233,243
Education		56,047
Permanently Restricted:		
Operations		<u>300,000</u>
Total net assets released from restriction	\$	<u>1,136,175</u>

The \$300,000 of permanently restricted net assets released from restrictions were used to pay down the line of credit.

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. At June 30, 2013, the Organization had \$2,184,463 of permanently restricted net assets. Permanently restricted net assets are as follows:

Endowment Funds – Greater Milwaukee Foundation	\$	230,000
Self-Managed Endowment		
Education		250,000
Artistic Direction		250,000
Artistic Initiatives		55,764
Operations		<u>1,398,699</u>
Total permanently restricted net assets	\$	<u>2,184,463</u>

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

7. Deferred Revenue – Ticket Sales

Deferred revenue as of June 30, 2013 was \$399,928. 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.

8. Line of Credit

As of June 30, 2013, 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, 2013. The amount outstanding as of June 30, 2013 was \$444,471.

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, 2013:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 4,653
2015	<u>775</u>
Total	\$ <u>5,428</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, 2013 was \$261,517.

The following is a schedule of the future minimum lease revenues required under the lease as of June 30, 2013:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 97,278
2015	55,496
2016	56,661
2017	<u>7,012</u>
Total	\$ <u>216,447</u>

11. Operational Lease

The Organization leases warehouse space under month-to-month leases. Rent expense for the year ended June 30, 2013 was \$34,104.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2013

12. Donated Goods and Services

The Organization received printing and copying services, management fees, lighting rental and first aid training. These total in-kind donations of \$20,260 consisted of \$3,080 for lighting rental, \$14,180 of waived investment management fees, \$600 of first aid training, and \$2,400 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 01, 2013). There were no subsequent events that require disclosure in the notes to the financial statements.

14. Reclassifications

Certain amounts in the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 financial statement presentation.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Summarized Totals for the Year Ended June 30, 2012)

Expenses	Program Services	General and Administrative	Fundraising	2013 Total	2012 Total
Salaries and wages - Performance	\$ 434,874	\$ ---	\$ ---	\$ 434,874	\$ 391,248
Salaries and wages - Production	676,589	---	---	676,589	676,339
Salaries and wages - Artistic	145,329	---	---	145,329	156,615
Salaries and wages - Education	88,287	---	---	88,287	86,904
Salaries and wages - Administrative	---	157,508	118,641	276,149	300,847
Salaries and wages - Facilities	69,840	17,460	---	87,300	92,140
Employee benefits	128,899	21,338	8,852	159,089	173,385
Payroll taxes	125,486	15,346	11,166	151,998	166,433
Professional fees	156,628	33,292	13,303	203,223	163,064
Scholarships	500	---	---	500	500
Supplies	37,131	3,176	393	40,700	38,868
Telephone	3,013	2,547	70	5,630	5,556
Postage	18,278	4,483	3,225	25,986	27,403
Printing	20,632	---	4,046	24,678	31,664
Occupancy	34,104	---	---	34,104	34,104
Utilities	80,647	20,162	---	100,809	107,938
Real estate taxes	---	9,459	---	9,459	8,797
Production materials	166,603	---	---	166,603	129,054
Equipment rental & maintenance	26,877	---	---	26,877	16,827
Depreciation expense	173,316	42,412	---	215,728	248,933
Royalties	143,680	---	---	143,680	121,481
Housing	43,513	---	---	43,513	36,809
Travel	30,169	---	---	30,169	25,567
Interest	18,599	4,650	---	23,249	29,782
Insurance	51,020	18,582	---	69,602	59,907
Membership dues	1,570	600	490	2,660	1,096
Staff development	---	---	---	---	395
Bar expenses	3,504	---	---	3,504	15,810
Advertising	151,517	---	---	151,517	138,965
Repairs & maintenance	46,778	12,058	---	58,836	79,728
Lease expense	---	14,848	---	14,848	16,695
Credit card fees	53,152	---	1,957	55,109	39,811
Bad debt expense	---	---	3,800	3,800	10,649
Information technology	32,196	5,248	6,309	43,753	43,566
Workshops	---	---	---	---	4,650
Managing director	---	24,189	---	24,189	19,063
Events	---	---	38,169	38,169	41,656
Other expenses	47,289	34,360	4,088	85,737	71,355
Totals	\$ 3,010,020	\$ 441,718	\$ 214,509	\$ 3,666,247	\$ 3,613,604

See independent auditors' report.