

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended June 30, 2018
(With Summarized Totals for the Year Ended June 30, 2017)

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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, 2018, 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 auditors' 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, 2018, 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.

Reilly, Penner & Benton LLP

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses 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.

Report on Summarized Comparative Information

We have previously audited the Skylight Music Theatre Corp. June 30, 2017 financial statements, and our report dated September 11, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 13, 2018
Milwaukee, Wisconsin

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Financial Position
June 30, 2018
(With Summarized Totals for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash and equivalents	\$ 2,139,233	\$ 413,219
Accounts receivable	36,685	20,002
Contributions, grants, and notes receivable, net	239,679	137,243
Inventory	19,193	17,671
Prepaid expenses	43,586	30,313
Total current assets	2,478,376	618,448
Property and Equipment:		
Property and equipment:	1,136,385	7,616,202
Accumulated depreciation	(952,577)	(6,206,120)
Net property and equipment	183,808	1,410,082
Long-term assets:		
Long-term investments - Endowment	904,415	900,874
Contributions and grants receivable, net	8,670	10,713
Total long-term assets	913,085	911,587
Other assets:		
Security deposits and advances	52,649	7,448
Total assets	\$ 3,627,918	\$ 2,947,565
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and other liabilities	\$ 53,413	\$ 109,910
Accrued payroll and tax liabilities	14,805	21,607
Deferred revenue	294,863	264,297
Line of credit	---	880,342
Current portion capital lease	2,841	5,683
Current portion deferred gain	228,117	---
Total current liabilities	594,039	1,281,839
Long-term liabilities:		
Capital lease	2,841	8,524
Less: Current portion	(2,841)	(5,683)
Total long-term liabilities	---	2,841
Other liabilities:		
Deferred gain on sale of building	2,205,134	---
Less: Current portion of deferred gain	(228,117)	---
Net long-term deferred gain	1,977,017	---
Security deposits	1,389	889
Other liabilities	2,990	2,170
Total other liabilities	1,981,396	3,059
Total liabilities	2,575,435	1,287,739
Net Assets (Deficit):		
Unrestricted	(204,176)	257,800
Temporarily restricted	355,785	501,152
Permanently restricted	900,874	900,874
Total net assets	1,052,483	1,659,826
Total liabilities and net assets	\$ 3,627,918	\$ 2,947,565

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, 2018

(With Summarized Totals for the Year Ended June 30, 2017)

	<u>Undesignated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and Revenue:					
Public support revenue:					
Contributions	\$ 493,806	\$ 123,995	\$ ---	\$ 617,801	\$ 788,852
Special events, net	26,836	---	---	26,836	31,971
United Performing Arts Fund	476,660	100,755	---	577,415	584,032
Governmental grants	26,113	7,000	---	33,113	34,591
Donated goods and services	22,554	---	---	22,554	18,259
Net assets released from restrictions	<u>377,383</u>	<u>(377,383)</u>	---	---	---
Total public support revenue	1,423,352	(145,633)	---	1,277,719	1,457,705
Performance revenue:					
Performance ticket income	1,067,624	---	---	1,067,624	1,008,728
Other Revenue:					
Program service fees	5,934	---	---	5,934	5,576
Investment income	4,322	266	---	4,588	31,246
Rental income	322,792	---	---	322,792	358,328
Other income	136,894	---	---	136,894	69,523
Gain (loss) on sale of donated investments	249	---	---	249	(50)
Gain on sale of fixed assets	<u>76,039</u>	---	---	<u>76,039</u>	---
Total other revenue	546,230	266	---	546,496	464,623
Total support and revenue	3,037,206	(145,367)	---	2,891,839	2,931,056
Expenses:					
Program services	2,934,346	---	---	2,934,346	2,897,914
General and administrative	431,086	---	---	431,086	411,577
Fundraising	<u>133,750</u>	---	---	<u>133,750</u>	<u>142,469</u>
Total expenses	3,499,182	---	---	3,499,182	3,451,960
Change in net assets	(461,976)	(145,367)	---	(607,343)	(520,904)
Net assets, beginning of year	<u>257,800</u>	<u>501,152</u>	<u>900,874</u>	<u>1,659,826</u>	<u>2,180,730</u>
Net assets, end of year	<u>\$ (204,176)</u>	<u>\$ 355,785</u>	<u>\$ 900,874</u>	<u>\$ 1,052,483</u>	<u>\$ 1,659,826</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, 2018
(With Summarized Totals for the Year Ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (607,343)	\$ (520,904)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	136,980	183,441
(Gain) loss on sale of donated investments	(249)	50
(Gain) on sale of fixed assets	(76,039)	---
Net realized and unrealized (gain) loss on investments	7,278	(11,174)
Change in assets and liabilities:		
Accounts receivable	(16,683)	1,953
Contributions and grants receivable	(100,393)	123,410
Inventory	(1,522)	144
Prepaid expenses	(13,273)	14,157
Other assets	(45,201)	1,901
Accounts payable	(56,497)	49,114
Accrued payroll and tax liabilities	(6,802)	5,249
Deferred revenue	30,566	714
Security deposits	500	(1,200)
Other liabilities	820	1,443
Total adjustments	<u>(140,515)</u>	<u>369,202</u>
Net cash used by operating activities	<u>(747,858)</u>	<u>(151,702)</u>
Cash Flows From Investing Activities:		
Purchase of investments	(11,599)	(2,807,567)
Proceeds from sale of investments	780	3,157,985
Purchase of fixed assets	(115,275)	(33,004)
Proceeds from sale of fixed assets	3,485,991	---
Net cash provided by investing activities	<u>3,359,897</u>	<u>317,414</u>
Cash Flows From Financing Activities:		
Borrowings on line of credit	---	35,000
Payments on line of credit	(880,342)	---
Payments on capital lease obligation	(5,683)	(5,683)
Net cash provided (used) by financing activities	<u>(886,025)</u>	<u>29,317</u>
Change in cash and equivalents	1,726,014	195,029
Cash and equivalents at beginning of year	<u>413,219</u>	<u>218,190</u>
Cash and equivalents at end of year	<u>\$ 2,139,233</u>	<u>\$ 413,219</u>
Supplemental Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 30,812</u>	<u>\$ 42,989</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, 2018

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 Organization 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, Contributions, Grants, and Notes 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. The Organization 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, 2018.

Inventories

The Organization purchases building materials for set production. Inventories are recorded at the lower of cost or market on a first-in, first-out (FIFO) basis.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2018
(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. Dividends are recorded on the ex-dividend date. 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.
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Notes to Financial Statements
June 30, 2018
(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 \$136,980 for the year ended June 30, 2018. 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, 2018 was \$180,136. Prepaid advertising as of June 30, 2018 was \$12,275.

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.

2. Contribution and Grants Receivable

Contributions and Grants receivable consist of the following as of June 30, 2018:

<u>Source</u>	<u>Amount</u>
United Performing Arts Fund	\$ 67,167
Individuals	149,782
Corporations	<u>31,400</u>
Total	\$ <u>248,349</u>

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2018
(Continued)

2. Contribution and Grants Receivable (Continued)

Contributions and Grants receivable are due as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2019	\$ 239,679
2020	2,380
2021	2,380
2022	2,380
2023	1,500
Thereafter	1,500
Less: Present value discount	<u>(1,470)</u>
Total	\$ <u>248,349</u>

The present value discount was calculated at the Organization's line of credit interest rate of 6.00% at June 30, 2018.

3. Property and Equipment

Property and Equipment consist of the following as of June 30, 2018:

<u>Source</u>	<u>Amount</u>
Computer and Electronics	\$ 443,241
Equipment	555,530
Bar Furniture	20,175
Musical Instruments	47,385
Rental Props	31,786
Vehicles	<u>38,268</u>
Total property and equipment	1,136,385
Less: accumulated depreciation	<u>(952,577)</u>
Net property and equipment	\$ <u>183,808</u>

Real estate assets were disposed of in February 2018 and were treated a sale-lease back transaction. A long-term operating lease was entered into. A gain of \$2,281,173 was realized on the sale and has been deferred. The gain is being amortized over the initial lease term of ten years, which commenced in March 2018. The deferred gain was \$2,205,134 as of June 30, 2018. The gain recognized for the year ended June 30, 2018 was \$76,039.

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2018
(Continued)

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:

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

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

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

Acceptable Investments (Continued)

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.

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.

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2018
(Continued)

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

Spending Policy (Continued)

- 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, 2018 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, end of year	\$ 3,541	\$ 900,874	\$ 904,415

Changes in endowment investments as of June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Investments</u>
Endowment investments, beginning of year	\$ ---	\$ 900,874	\$ 900,874
Investment income	10,819	---	10,819
Net depreciation	(7,278)	---	(7,278)
Amounts appropriated for expenditure	---	---	---
Endowment investments, end of year	\$ 3,541	\$ 900,874	\$ 904,414

Investments as of June 30, 2018, consist of pooled funds as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 466,276	\$ 466,276	\$ ---
Bond funds	451,737	438,139	(13,598)
Total	\$ 918,013	\$ 904,415	\$ (13,598)

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2018
(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, 2018, 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, 2018:

<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	\$ 466,276	\$ ---	\$ ---	\$ 466,276
Bond Funds	438,139	---	---	438,139
Total	<u>\$ 904,415</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 904,415</u>

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, 2018:

Operations	\$ 127,192
United Performing Arts Fund	100,755
Show Sponsorship	43,670
Artistic Initiatives	2,320
Capital	51,848
Education	<u>30,000</u>
Total temporarily restricted net assets	<u>\$ 355,785</u>

SKYLIGHT MUSIC THEATRE CORP.
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Notes to Financial Statements
June 30, 2018
(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, 2018 are as follows:

Temporarily Restricted:	
Operations	\$ 99,511
United Performing Arts Fund	105,000
Show Sponsorships	10,000
Capital	147,872
Education	15,000
Total temporarily restricted	377,383
Permanently Restricted:	
Operations	---
Total net assets released from restriction	\$ 377,383

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. At June 30, 2018, the Organization had \$900,874 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	345,110
Total permanently restricted net assets	\$ 900,874

The United Performing Arts Fund (UPAF) provides support to the Organization each year. A portion of the contribution is pledged during the prior fiscal year and recorded as temporarily restricted revenue due to time restriction. UPAF revenue for the year ended June 30, 2018 is as follows:

UPAF Summer Allocation (Restricted as of June 30, 2017, released on July 01, 2017)	\$ 105,000
Additional Contributions made during the year	476,660
UPAF Contributions, for fiscal year ended June 30, 2018	\$ 581,660
UPAF Summer Allocation (Restricted as of June 30, 2018, released on July 01, 2018)	\$ 100,755

6. Deferred Revenue – Ticket Sales

Deferred revenue as of June 30, 2018 was \$294,863. 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, 2018
(Continued)

7. Line of Credit

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 5.25% secured by Organization's investments and was due on November 30, 2018. The Organization paid the line of credit off in full on February 21, 2018 and closed the line of credit at that time.

8. Lease Agreement

The Organization sub-leased space in its primary operating facility to other third-party organizations under operating leases. The leases provide the ability to lease theatre and rehearsal space. Applicable portions of the current leases were transferred to the new owners at time of purchase. Rental income for the year ended June 30, 2018 was \$322,792.

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, 2018:

<u>Years ending June 30,</u>	<u>Amount</u>
2019	\$ <u>2,841</u>
Total	\$ <u>2,841</u>

10. Operational Lease

The Organization leases office space, theatre space, and warehouse space under an operational lease.

In March 2018, the Organization entered into a sales lease back transaction for the office space as well as the theatre space set to expire in February 2028. This is a ten-year lease and provides for a minimum lease rent plus a share of real estate and common area maintenance expenses.

The following is a schedule of the future minimum lease expenses required under the lease as of June 30, 2018:

<u>Years ending June 30,</u>	<u>Amount</u>
2019	\$ 457,068
2020	419,988
2021	384,605
2022	394,220
2023	404,075
Thereafter	<u>2,022,140</u>
Total	\$ <u>4,082,096</u>

Rent expense for the year ended June 30, 2018 was \$243,290.

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Notes to Financial Statements
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11. Donated Goods and Services

The Organization received lighting rental services, printing and copying services, and management fees. These total in-kind donations of \$22,554 consisted of \$9,026 of waived investment management fees, \$11,475 for consulting services, \$853 for dry cleaning services, and \$1,200 for contributed assets.

12. Consulting Commitment

The Organization has entered into an agreement to pay \$26,250 for consulting services on the new ticketing software that has been implemented. There will be twelve quarterly installments in the amount of \$2,190. Through the year ended June 30, 2018, \$6,540 has been billed and \$13,759 worth of expense has been accrued.

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, September 13, 2018. 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, 2018
(With Summarized Totals for the Year Ended June 30, 2017)

Expenses	Program Services	General and Administrative	Fundraising	2018 Total	2017 Total
Salaries and wages	\$ 1,364,398	\$ 170,861	\$ 97,985	\$ 1,633,244	\$ 1,647,263
Employee benefits	164,858	28,899	6,896	200,653	183,037
Payroll taxes	97,490	12,791	7,700	117,981	123,121
Professional fees	137,603	53,760	---	191,363	245,196
Scholarships	1,000	---	---	1,000	500
Supplies	22,210	5,767	10	27,987	25,805
Telephone	---	5,408	---	5,408	5,948
Postage	289	4,370	1,283	5,942	7,940
Occupancy	243,290	---	---	243,290	60,865
Utilities	72,846	---	---	72,846	92,384
Real estate taxes	---	5,289	---	5,289	9,001
Production materials	176,645	---	---	176,645	145,714
Equipment rental & maintenance	8,562	---	---	8,562	23,455
Depreciation expense	136,980	---	---	136,980	183,441
Royalties	98,526	---	---	98,526	102,464
Housing	28,282	---	---	28,282	34,406
Travel	13,980	---	---	13,980	21,310
Interest	---	30,812	---	30,812	42,989
Insurance	---	72,023	---	72,023	65,744
Membership dues	5,092	1,970	---	7,062	1,823
Staff development	2,510	512	534	3,556	23,094
Bar expenses	4,638	---	---	4,638	1,621
Advertising	180,136	---	---	180,136	154,569
Repairs & maintenance	32,812	7,106	---	39,918	51,967
Lease expense	---	11,998	---	11,998	12,287
Credit card fees	42,403	---	2,289	44,692	40,661
Bad debt expense	---	---	2,297	2,297	---
Information technology	54,691	---	1,493	56,184	73,436
Workshops	1,681	---	---	1,681	3,400
Other expenses	43,424	19,520	13,263	76,207	68,519
Totals	\$ 2,934,346	\$ 431,086	\$ 133,750	\$ 3,499,182	\$ 3,451,960

See independent auditors' report.