

UNITED PERFORMING ARTS FUND, INC.

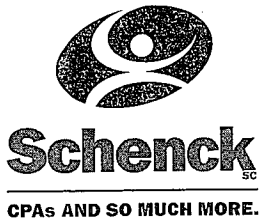
FINANCIAL STATEMENTS

Years Ended August 31, 2014 and 2013

UNITED PERFORMING ARTS FUND, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Performing Arts Fund, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of United Performing Arts Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 the 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 audits. We conducted our audits 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 auditors consider 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 United Performing Arts Fund, Inc. as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information presented on pages 19 through 21 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 audits 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 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 taken as a whole.



Certified Public Accountants

Milwaukee, Wisconsin
November 24, 2014

UNITED PERFORMING ARTS FUND, INC.

STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

ASSETS

	2014	2013
<u>Current assets:</u>		
Cash and cash equivalents	\$ 5,011,191	\$ 5,449,610
Investments, at fair value	716,471	716,471
Contributions receivable, net of allowance	3,448,720	3,037,308
Prepaid expenses	21,290	26,583
Total current assets	<u>9,197,672</u>	<u>9,229,972</u>
Long-term portion of contributions receivable, net	<u>646,300</u>	<u>-</u>
Property and equipment, net	<u>20,696</u>	<u>25,548</u>
<u>Endowment funds:</u>		
Board designated, 21st Century Fund	3,266,372	2,705,982
Beneficial interest in assets held at the Greater Milwaukee Foundation	<u>1,086,466</u>	<u>986,752</u>
Total endowment funds	<u>4,352,838</u>	<u>3,692,734</u>
Total assets	<u>\$ 14,217,506</u>	<u>\$ 12,948,254</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities:</u>		
Accounts payable	\$ 40,525	\$ 40,639
Accrued lease payable	31,425	21,165
Accrued compensation and related benefits	164,986	177,034
Allocations payable	<u>7,568,005</u>	<u>7,502,818</u>
Total current liabilities	<u>7,804,941</u>	<u>7,741,656</u>
<u>Net assets:</u>		
Unrestricted net assets		
Undesignated	1,280,351	1,405,726
Board designated, 21st Century Fund	<u>3,266,372</u>	<u>2,705,982</u>
Total unrestricted net assets	4,546,723	4,111,708
Temporarily restricted net assets	<u>1,865,842</u>	<u>1,094,890</u>
Total net assets	<u>6,412,565</u>	<u>5,206,598</u>
Total liabilities and net assets	<u>\$ 14,217,506</u>	<u>\$ 12,948,254</u>

See accompanying notes to financial statements.

UNITED PERFORMING ARTS FUND, INC.

STATEMENTS OF ACTIVITIES

Years Ended August 31, 2014 and 2013

	2014				2013			
	Unrestricted	Board Designated	Temporarily Restricted	2014 Total	Unrestricted	Board Designated	Temporarily Restricted	2013 Total
<u>Revenue:</u>								
<u>Public support</u>								
Campaign contributions, net of provision for uncollectible promises of \$170,500 and \$167,000 respectively	\$ 10,855,137	\$ -	\$ 769,387	\$ 11,624,524	\$ 10,180,693	\$ -	\$ 37,649	\$ 10,218,342
Special event income	552,618	-	-	552,618	545,295	-	-	545,295
Bequests and memorials	-	-	-	-	-	6,724	-	6,724
Donated services	738,429	-	-	738,429	647,487	-	-	647,487
Total public support	12,146,184	-	769,387	12,915,571	11,373,475	6,724	37,649	11,417,848
<u>Nonoperating revenue</u>								
Investment return	441	560,390	-	560,831	342	400,946	-	401,288
Return on beneficial interest in assets held at Greater Milwaukee Foundation	-	-	140,836	140,836	-	-	99,926	99,926
Nonoperating revenue	441	560,390	140,836	701,667	342	400,946	99,926	501,214
Appropriation for expenditure	41,122	-	(41,122)	-	137,878	(103,067)	(34,811)	-
Net assets released from restrictions	98,149	-	(98,149)	-	126,115	-	(126,115)	-
Total revenue	12,285,896	560,390	770,952	13,617,238	11,637,810	304,603	(23,351)	11,919,062
<u>Expenses:</u>								
<u>Program services</u>								
Allocations to member organizations and affiliates	9,099,133	-	-	9,099,133	8,338,000	-	-	8,338,000
Other member support	200,586	-	-	200,586	188,736	-	-	188,736
Community engagement	242,969	-	-	242,969	233,702	-	-	233,702
Awareness	1,099,529	-	-	1,099,529	1,061,884	-	-	1,061,884
Total program services	10,642,217	-	-	10,642,217	9,822,322	-	-	9,822,322
<u>Supporting activities</u>								
Administrative expenses	342,084	-	-	342,084	402,607	-	-	402,607
Fundraising	1,426,970	-	-	1,426,970	1,360,006	-	-	1,360,006
Total supporting activities	1,769,054	-	-	1,769,054	1,762,613	-	-	1,762,613
Total expenses	12,411,271	-	-	12,411,271	11,584,935	-	-	11,584,935
Change in net assets	(125,375)	560,390	770,952	1,205,967	52,875	304,603	(23,351)	334,127
Net assets at beginning of year	1,405,726	2,705,982	1,094,890	5,206,598	1,352,851	2,401,379	1,118,241	4,872,471
Net assets at end of year	\$ 1,280,351	\$ 3,266,372	\$ 1,865,842	\$ 6,412,565	\$ 1,405,726	\$ 2,705,982	\$ 1,094,890	\$ 5,206,598

See accompanying notes to financial statements.

UNITED PERFORMING ARTS FUND, INC.

STATEMENTS OF CASH FLOWS
Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 1,205,967	\$ 334,127
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,848	11,923
Change in allowance uncollectible promises	39,700	62,000
Change in discounts to net present value	153,700	-
Realized gains on investments, including mutual fund distributions	(179,710)	(81,644)
Unrealized appreciation on investments	(357,828)	(289,766)
Return on beneficial interest in assets held at Greater Milwaukee Foundation	(140,836)	(99,926)
Loss on disposal of assets	-	32,261
Changes in operating assets and liabilities:		
Contributions receivable	(1,251,112)	(1,045,508)
Prepaid expenses	5,293	515
Accounts payable	(114)	7,373
Accrued lease payable	10,260	21,165
Accrued compensation and other related benefits	(12,048)	43,689
Allocations payable	65,187	1,088,422
Net cash provided by (used in) operating activities	<u>(453,693)</u>	<u>84,631</u>
<u>Cash flows from investing activities:</u>		
Distributions received from beneficial interest in assets held at Greater Milwaukee Foundation	41,122	34,811
Purchase of investments, including reinvestment of income	(22,852)	(33,333)
Purchase of property and equipment	(2,996)	(26,106)
Net cash provided by (used in) investing activities	<u>15,274</u>	<u>(24,628)</u>
Net increase (decrease) in cash and cash equivalents	(438,419)	60,003
<u>Cash and cash equivalents:</u>		
Beginning of year	<u>5,449,610</u>	<u>5,389,607</u>
End of year	<u>\$ 5,011,191</u>	<u>\$ 5,449,610</u>

See accompanying notes to financial statements.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 1 – Nature of activities and summary of significant accounting policies

Nature of activities: United Performing Arts Fund, Inc. ("UPAF") is a local, independent nonprofit agency that was formed to raise operating funds for its member organizations and affiliates. UPAF makes it possible for several non-profit performing arts organizations in the greater Milwaukee area to meet their daily operating needs. Its mission statement is to "secure community resources and improve the quality of life through responsible investment in and financial support of the performing arts in southeastern Wisconsin."

Annual campaigns are conducted in the spring of each year to raise funds from campaign contributions that are used to support numerous performing arts organizations and to pay UPAF's operating expenses.

Basis of accounting: The financial statements of UPAF have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities with revenues and expenses reflected in the period earned or incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of UPAF are classified and reported as follows:

Unrestricted and undesignated net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations or designated by the Board of Directors for a specific purpose and are fully available, at the discretion of management and the Board of Directors, for UPAF to utilize in achieving any of its program services or supporting activities.

Unrestricted and designated net assets - net assets that represent funds that have been designated for a specific purpose by the Board of Directors.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of UPAF pursuant to those stipulations.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by UPAF. There were no permanently restricted net assets as of August 31, 2014 and 2013.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 1 – Nature of activities and summary of significant accounting policies (continued)

Cash and cash equivalents: UPAF defines cash and cash equivalents as highly liquid debt instruments with a maturity at the date of acquisition of three months or less. Money market funds held as part of the 21st Century Fund are included with investments.

Concentrations of credit risk: UPAF maintains cash accounts at three different financial institutions. Deposits with the financial institutions are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 per official custodian. UPAF's cash deposits may exceed these federally insured limits at times during the year. UPAF has not experienced any losses on these accounts and management believes UPAF is not exposed to any significant credit risk on its cash and cash equivalent balances.

Valuation of investments and income recognition: UPAF's investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices in active markets are used to value investments. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation).

Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Risks and uncertainties: UPAF invests in various investment securities within its investments and endowment investments. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

Contributions receivable: Contributions made to UPAF are recorded in the year the unconditional promise is made. Pledges for support in the current year annual community campaign are recorded as unrestricted public support revenues. An allowance for uncollectible pledges is established based on the length of time pledges are past due, previous loss history, and the donor's current ability to pay. When amounts are determined to be uncollectible, they are charged to the allowance and recoveries of previously written off amounts replenish the allowance. Pledges receivable due beyond one year are recorded at fair value at the date of promise by computing a present value applied to the anticipated cash flows.

Allocations to member organizations and affiliates: Allocations to member organizations and affiliates are recorded as an expense in the year the allocations are determined by management and approved by the Board of Directors based on campaign pledges received during each fiscal year. UPAF makes ratable allocation payments over a 12 month period beginning in July of each year.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 1 – Nature of activities and summary of significant accounting policies (continued)

Property and equipment: Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment is recorded as an increase in unrestricted net assets at its estimated fair market value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. UPAF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. UPAF reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Revenue recognition: Contributions, including promises receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

UPAF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Periodically, contributions and net asset classifications are reviewed to determine that all restrictions are documented and being followed, as a result changes may need to be made to classifications to better reflect the donor's intent.

Donated services: Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such services totaled \$738,429 and \$647,487 for the years ended August 31, 2014 and 2013, respectively, and are reflected as public support and expenses on the Statements of Activities. Donated services are comprised of media coverage, creative advertising, public relations, print services, and fundraising research.

Promotion and advertising costs: UPAF expenses the costs of producing advertisements as incurred. UPAF expenses the costs of communicating advertisements as the items or services are received. Promotion and advertising expenses for the years ended August 31, 2014 and 2013 were \$116,278 and \$98,991, respectively.

Expense allocation: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 1 – Nature of activities and summary of significant accounting policies (continued)

Tax-exempt status: UPAF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, UPAF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a). UPAF is also exempt from Wisconsin income taxes.

UPAF follows the guidance for accounting for uncertainties in income taxes which increases the relevancy and comparability of financial reporting by clarifying the way companies account for uncertainties in income taxes for tax positions taken or expected to be taken. It makes recognition and measurement more consistent as well as offering clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes.

UPAF's federal tax exempt income tax returns are subject to examination generally for three years after they are filed and its state income tax returns generally for four years after they are filed. Management believes it is no longer subject to income tax examinations for years prior to fiscal year 2010. Penalties and interest, if and when assessed by income taxing authorities, are included in administrative expenses. UPAF had no interest and penalties related to income taxes for the years ended August 31, 2014 and 2013.

Subsequent events: UPAF has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 24, 2014, the date on which the financial statements were available to be issued.

NOTE 2 – Contributions receivable

Outstanding contributions receivable are expected to be realized as follows at August 31, 2014 and 2013:

	2014	2013
Less than one year	\$ 3,800,420	\$ 3,349,308
One to ten years	800,000	-
	<u>4,600,420</u>	<u>3,349,308</u>
Less: discount to present value	(153,700)	-
Less: allowance for uncollectible promises	<u>(351,700)</u>	<u>(312,000)</u>
Net contributions receivable	<u>\$ 4,095,020</u>	<u>\$ 3,037,308</u>
Current portion of contributions receivable	<u>3,448,720</u>	<u>3,037,308</u>
Long-term portion of contributions receivable	<u>\$ 646,300</u>	<u>\$ -</u>

Estimated cash flows from pledges receivable have been discounted to present value as of August 31, 2014 using a discount rate of 5% which was based on the expected rate of return on UPAF's investments.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 3 – Investments

Investments are reported at fair value and are summarized by type of investment as of August 31, 2014 and 2013 as follows:

	2014		
	Cost or Gift Value	Fair Value	Unrealized Appreciation (Depreciation)
Bond mutual funds	\$ 930,766	\$ 964,985	\$ 34,219
Equity mutual funds	2,332,855	3,017,858	685,003
Total investments	\$ 3,263,621	\$ 3,982,843	\$ 719,222

	2013		
	Cost or Gift Value	Fair Value	Unrealized Appreciation (Depreciation)
Bond mutual funds	\$ 907,914	\$ 927,935	\$ 20,021
Equity mutual funds	2,153,145	2,494,518	341,373
Total investments	\$ 3,061,059	\$ 3,422,453	\$ 361,394

Investments are classified in the accompanying Statements of Financial Position as of August 31, 2014 and 2013 as follows:

	2014	2013
Current assets		
Temporarily restricted	\$ 24,127	\$ 83,138
Unrestricted	692,344	633,333
	<u>716,471</u>	<u>716,471</u>
Noncurrent assets		
Board designated, 21st Century Fund	3,266,372	2,705,982
Total investments	\$ 3,982,843	\$ 3,422,453

Unrestricted return on investments as reported in the Statements of Activities for the years ended August 31, 2014 and 2013 is summarized as follows:

	2014	2013
Interest income	\$ 23,293	\$ 29,878
Net realized gains on investments; including mutual fund distributions	179,710	81,644
Net unrealized appreciation on investments	357,828	289,766
Total unrestricted return of investments	\$ 560,831	\$ 401,288

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 4 – Endowment funds

UPAF's endowment funds consist of two separate funds established to support the mission of UPAF and its member organizations and affiliates. The endowment funds include funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including board-designated funds to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Beneficial interest in the assets held at the Greater Milwaukee Foundation Endowment Fund (GMFEF) - In 1976, the GMFEF was established for the sole benefit of UPAF and is currently held in pooled funds managed by the Greater Milwaukee Foundation (Foundation). A trust agreement pertaining to the management of the GMFEF permits quarterly distributions from the GMFEF according to the distribution policy that is available for current operations. Under certain circumstances, additional distributions from the GMFEF's principal and accumulated earnings to UPAF can be requested or given to member organizations at the discretion of the UPAF Board of Directors with final approval from the Foundation trustees. GMFEF investments consist of equity and bond mutual funds which are all recorded at fair value.

The GMFEF was established by UPAF's Board of Directors using prior restricted donations to provide support for UPAF's mission. These funds are the legal assets of the Foundation with the restriction that the Foundation make distributions to UPAF as needed. The agreement governing these assets includes a variance power allowing the Board of Trustees of the Foundation to modify any restrictions or conditions on the distributions of funds from the GMFEF.

21st Century Fund - In 1999, a board-designated 21st Century Fund was also established to ensure continued success of UPAF by providing a reserve for future critical needs. The 21st Century Fund is owned and managed by UPAF and investments are comprised of money market accounts, equity and fixed income mutual funds, which are all recorded at fair value.

UPAF's current policy is that any bequests and other non-campaign related contributions received by UPAF which are not restricted by the donor as "endowment", or otherwise restricted, will be allocated to the 21st Century Fund. Other funds may be added to the 21st Century Fund at the discretion of the UPAF Board of Directors. Accumulated investment returns on the investments managed by UPAF are retained and also allocated to the 21st Century Fund.

The UPAF Board of Directors has adopted the Wisconsin Uniform Prudent Management of Institutional Funds Act (WUPMIFA). Among other things, WUPMIFA requires that in making decisions to appropriate or accumulate monies in endowment funds, such as UPAF's GMFEF and the 21st Century Fund, UPAF shall act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider the following factors: (1) the duration and preservation of the endowment funds; (2) the mission of UPAF and the purposes of the endowment funds; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institution; and (7) the investment policy of UPAF. UPAF's cash flow and investment policies, described in detail below, comply in a manner consistent with the standard of prudence prescribed by WUPMIFA.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 4 – Endowment funds (continued)

Distributions from the GMFEF are made quarterly in accordance with the distribution policy which is based on an annual distribution amount that is calculated to be 4.5% or less of the average market value of the fund over the prior 20 quarters. With the approval of the UPAF Board of Directors and the Foundation trustees, appropriated amounts in excess of the distribution policy amount may be made. Distributions from the 21st Century Fund can only be appropriated upon the approval of the UPAF Board of Directors as needed.

UPAF follows the investment policies and objectives governed by the Foundation for the GMFEF funds which are to preserve principal and to maintain the purchasing power as well as to provide additional real growth through investment return. For the 21st Century Fund, UPAF has adopted an investment policy with the objective to achieve investment returns that are viewed in a long-term context, on a three to five year annualized basis. The investment policy is to maximize total return that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, recognizing that rates of return are volatile and that achievement will occur over time with an acceptable level of risk. Assets are invested in a well-diversified asset mix, which includes equity and debt securities with no more than 60% exposure to either group.

Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are reviewed by management to not expose the funds to unacceptable levels of risk.

The endowment net asset composition by type of fund as of August 31, 2014 and 2013 consists of the following:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest in GMFEF	\$ -	\$ 1,086,466	\$ -	\$ 1,086,466
Board-designated funds	3,266,372	-	-	3,266,372
Total endowment funds	<u>\$ 3,266,372</u>	<u>\$ 1,086,466</u>	<u>\$ -</u>	<u>\$ 4,352,838</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest in GMFEF	\$ -	\$ 986,752	\$ -	\$ 986,752
Board-designated funds	2,705,982	-	-	2,705,982
Total endowment funds	<u>\$ 2,705,982</u>	<u>\$ 986,752</u>	<u>\$ -</u>	<u>\$ 3,692,734</u>

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 4 – Endowment funds (continued)

The changes in the endowment net assets for the years ended August 31, 2014 and 2013 are as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment investments, September 1, 2013	\$ 2,705,982	\$ 986,752	\$ -	\$ 3,692,734
Bequests and memorials	-	-	-	-
Investment return				
Interest income	22,852	22,769	-	45,621
Net realized and unrealized appreciation	537,538	129,636	-	667,174
Administrative fees	-	(11,569)	-	(11,569)
Total investment return	560,390	140,836	-	701,226
Appropriations for expenditure	-	(41,122)	-	(41,122)
Endowment investments, August 31, 2014	\$ 3,266,372	\$ 1,086,466	\$ -	\$ 4,352,838
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, September 1, 2012	\$ 2,401,379	\$ 921,637	\$ -	\$ 3,323,016
Bequests and memorials	6,724	-	-	6,724
Investment return				
Interest income	29,536	20,357	-	49,893
Net realized and unrealized appreciation	371,410	89,804	-	461,214
Administrative fees	-	(10,235)	-	(10,235)
Total investment return	400,946	99,926	-	500,872
Appropriations for expenditure	(103,067)	(34,811)	-	(137,878)
Endowment investments, August 31, 2013	\$ 2,705,982	\$ 986,752	\$ -	\$ 3,692,734

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 5 – Fair value measurements

UPAF reports its fair value measures using a three-level hierarchy that prioritizes the inputs 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy that determines fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UPAF 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 methodologies used for investments reported at fair value:

Mutual funds: Valued at the daily closing price as reported by the funds. Mutual funds held by UPAF are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are actively traded and are required to publish their daily net asset value (NAV) and to transact at that price.

Beneficial interests in assets held by a community foundation: Valued at fair value which is estimated as the share of the fair value of the underlying trust assets held by the Foundation. Because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, level 3 is assigned.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 5 – Fair value measurements (continued)

The preceding valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UPAF 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.

The following tables provide by level, within the fair value hierarchy, UPAF's investment assets as of August 31, 2014 and 2013:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
<u>August 31, 2014</u>				
Investments, at fair value				
Bond mutual funds	\$ 964,985	\$ -	\$ -	\$ 964,985
Equity mutual funds				
Mid-cap funds	1,822,199	-	-	1,822,199
Emerging markets	130,502	-	-	130,502
Large-cap funds	1,065,157	-	-	1,065,157
Beneficial interest in assets held at the Foundation	-	-	1,086,466	1,086,466
Total investments	<u>\$ 3,982,843</u>	<u>\$ -</u>	<u>\$ 1,086,466</u>	<u>\$ 5,069,309</u>
<u>August 31, 2013</u>				
Investments, at fair value				
Bond mutual funds	\$ 927,935	\$ -	\$ -	\$ 927,935
Equity mutual funds				
Mid-cap funds	1,495,958	-	-	1,495,958
Emerging markets	110,173	-	-	110,173
Large-cap funds	888,387	-	-	888,387
Beneficial interest in assets held at the Foundation	-	-	986,752	986,752
Total investments	<u>\$ 3,422,453</u>	<u>\$ -</u>	<u>\$ 986,752</u>	<u>\$ 4,409,205</u>

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 5 – Fair value measurements (continued)

The following table sets forth a summary of changes in the fair value of UPAF's Level 3 investment assets for the years ended August 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beneficial interest in assets held at the Foundation, beginning of year	\$ 986,752	\$ 921,637
Interest income	22,769	20,357
Net realized and unrealized appreciation	129,636	89,804
Administrative fees	(11,569)	(10,235)
Appropriations for expenditure	<u>(41,122)</u>	<u>(34,811)</u>
Beneficial interest in assets held at the Foundation, end of year	<u>\$ 1,086,466</u>	<u>\$ 986,752</u>

NOTE 6 – Property and equipment

The major categories of property and equipment are summarized as follows at August 31:

	<u>Depreciable Lives</u>	<u>2014</u>	<u>2013</u>
Computer equipment and software	3 - 5 years	87,532	84,536
Less: accumulated depreciation		<u>66,836</u>	<u>58,988</u>
Net property and equipment		<u>\$ 20,696</u>	<u>\$ 25,548</u>

Depreciation expense for the years ended August 31, 2014 and 2013 totaled \$7,848 and \$11,923, respectively.

NOTE 7 – Related parties

Members of the Board of Directors of UPAF typically make contributions to the various campaigns of UPAF. UPAF received pledges from members of the Board of Directors and the total amount that remains a receivable at August 31, 2014 and 2013 is \$264,425 and \$128,340 respectively.

The Board of Directors may also be employees of organizations with which UPAF conducts business. All business transactions involving the Board of Directors and other related parties occur at arm's length and the applicable Board members abstain from voting on any business transactions that involve potential conflicts of interest. During the years ended August 31, 2014 and 2013, there were no members of the Board of Directors who were employed by an organization with which UPAF conducted any business.

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 8 – Operating lease

Beginning January 1, 2013, UPAF entered into a long-term noncancelable operating lease for new office space that expires on June 30, 2020. The building lease contains renewal options for two additional five-year periods. Lease expense on UPAF's office space is recognized on the straight-line basis over the term of the lease. The difference between the expense amount recorded and the cumulative actual lease payments paid is recognized as a liability on the Statements of Financial Position. Rent expense on the office space operating leases was \$77,558 and \$77,576 for the years ended August 31, 2014 and 2013, respectively. The future minimum annual rental commitments under this operating lease as of August 31, 2014 are as follows:

<u>Years Ending August 31,</u>	
2015	\$ 79,548
2016	81,139
2017	82,762
2018	84,417
2019	86,105
Thereafter	<u>43,914</u>
Total minimum lease payments	<u>\$ 457,885</u>

NOTE 9 – Retirement plan

UPAF has a 403(b) defined contribution retirement savings plan covering all eligible employees. UPAF makes discretionary contributions to the plan in amounts determined annually. For the years ended August 31, 2014 and 2013, eligible employees received contributions from UPAF of 3% of their gross earnings and up to an additional 2% match for eligible employees that contributed up to 2% of their salary into the plan. Retirement plan expense for the years ended August 31, 2014 and 2013 was \$40,365 and \$46,500 respectively.

NOTE 10 – Temporarily restricted net assets

Temporarily restricted net assets available to support the mission of UPAF and its member organizations and affiliates are composed of the following at August 31:

	<u>2014</u>	<u>2013</u>
Contributions received and restricted to use and subsequent years (held in investments)	\$ 24,127	\$ 83,138
Contributions receivable restricted to time	<u>755,249</u>	<u>25,000</u>
Total contributions restricted	779,376	108,138
Greater Milwaukee Foundation Endowment Fund	<u>1,086,466</u>	<u>986,752</u>
Total temporarily restricted net assets	<u>\$ 1,865,842</u>	<u>\$ 1,094,890</u>

UNITED PERFORMING ARTS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 11 – Commitment

UPAF entered into a Letter of Agreement with the Milwaukee Symphony Orchestra (MSO), dated February 27, 2014, to assist with MSO's 2014 emergency fundraising campaign. The Letter of Agreement, including subsequent amendments, contains certain conditions that the MSO must meet prior to receiving the pledge of \$250,000 from UPAF's reserves. In December 2014, UPAF's Board of Directors will review the MSO's response to the conditions of the Letter of Agreement and, if approved, the funds will be released. UPAF has not accrued a liability for this pledge to the MSO as of August 31, 2014.

SUPPLEMENTARY INFORMATION

UNITED PERFORMING ARTS FUND, INC.

ALLOCATIONS TO MEMBER ORGANIZATIONS AND AFFILIATES
 Campaign Years Ended August 31, 2014 and 2013

	Campaign 2014 Allocations	Campaign 2013 Allocations
Bel Canto Chorus of Milwaukee, Inc.	\$ 80,474	\$ 108,854
Danceworks, Inc.	192,184	189,734
First Stage Milwaukee, Inc.	808,599	704,611
Florentine Opera Company, Inc.	793,017	784,006
Milwaukee Ballet Company, Inc.	866,647	880,294
Milwaukee Chamber Theatre, Ltd.	169,807	166,306
Milwaukee Children's Choir	107,899	121,803
Milwaukee Public Theatre, Inc.	86,389	99,457
Milwaukee Repertory Theater, Inc.	1,634,685	1,235,332
Milwaukee Symphony Orchestra, Inc.	2,633,641	2,303,246
Milwaukee Youth Symphony Orchestra, Inc.	413,333	438,102
Next Act Theatre, Inc.	169,711	192,163
Present Music, Inc.	191,128	197,041
Renaissance Theaterworks, Inc.	137,378	129,571
Skylight Music Theatre Corporation	592,248	579,800
Fellowship Open	-	20,000
Affiliates	221,993	187,680
	<hr/>	<hr/>
Total allocations to member organizations and affiliates	<u>\$ 9,099,133</u>	<u>\$ 8,338,000</u>

UNITED PERFORMING ARTS FUND, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended August 31, 2014

	Program Services			Supporting Activities		Total
	Allocations and Other Member Support	Community Engagement	Awareness	Administrative	Fundraising	
Allocations to member organizations and affiliates	\$ 9,099,133	\$ -	\$ -	\$ -	\$ -	\$ 9,099,133
Salaries and other personnel costs	102,534	86,858	721,464	224,362	487,242	1,622,460
Direct program expenses	89,536	-	-	-	-	89,536
Insurance	888	16,742	6,559	2,663	3,933	30,785
Printing and publications	-	7,309	38,399	-	6,776	52,484
Rent	5,125	16,480	37,866	15,374	22,706	97,551
Equipment rental and maintenance	592	36,982	4,375	1,776	2,623	46,348
Office supplies	310	828	5,029	930	4,111	11,208
Postage and shipping	1,195	1,871	8,832	3,586	5,296	20,780
Telephone	406	570	3,001	1,219	1,800	6,996
Hardware and software support	-	-	20,244	12,704	32,949	65,897
Telefunding	-	-	45,775	-	45,775	91,550
Promotion and advertising	-	2,227	91,241	-	22,810	116,278
Events and donor benefits	-	-	78,937	96	30	79,063
Meals, travel and food	-	9,099	8,039	2,173	2,746	22,057
Fees and permits	-	20,683	-	95	-	20,778
Merchandise	-	30,001	-	-	-	30,001
Dues, memberships and conferences	-	-	5,865	-	5,864	11,729
Professional services	-	10,000	22,674	37,280	22,674	92,628
Bank, credit card and broker commission fees	-	-	-	25,978	25,977	51,955
Depreciation	-	-	-	7,848	-	7,848
Contributed services:						
Media coverage	-	-	-	-	439,155	439,155
Special event	-	-	-	-	188,320	188,320
Creative advertising and public relations	-	-	-	-	104,954	104,954
Research	-	-	-	6,000	-	6,000
Miscellaneous	-	3,319	1,229	-	1,229	5,777
Total expenses	\$ 9,299,719	\$ 242,969	\$ 1,099,529	\$ 342,084	\$ 1,426,970	\$12,411,271

UNITED PERFORMING ARTS FUND, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended August 31, 2013

	Program Services			Supporting Activities		Total
	Allocations and Other Member Support	Community Engagement	Awareness	Administrative	Fundraising	
Allocations to member organizations and affiliates	\$ 8,338,000	\$ -	\$ -	\$ -	\$ -	\$ 8,338,000
Salaries and other personnel costs	93,509	74,204	704,934	224,139	515,065	1,611,851
Direct program expenses	83,657	-	-	-	-	83,657
Insurance	1,033	16,309	5,959	3,145	4,614	31,060
Printing and publications	-	9,332	41,383	-	7,303	58,018
Rent	5,732	13,189	33,054	17,445	25,587	95,007
Moving costs	1,820	1,481	10,492	24,948	8,122	46,863
Equipment rental and maintenance	714	31,289	4,119	2,174	3,189	41,485
Office supplies	400	2,301	4,778	1,217	4,258	12,954
Postage and shipping	1,254	4,486	7,231	3,816	5,598	22,385
Telephone	617	503	3,560	1,879	2,757	9,316
Hardware and software support	-	-	25,248	12,704	37,952	75,904
Telefunding	-	-	53,279	-	53,279	106,558
Promotion and advertising	-	2,247	77,396	-	19,348	98,991
Events and donor benefits	-	-	70,464	317	4,257	75,038
Meals, travel and food	-	14,069	7,804	2,648	2,887	27,408
Fees and permits	-	21,400	-	219	-	21,619
Merchandise	-	29,584	-	-	-	29,584
Dues, memberships and conferences	-	-	6,978	-	6,979	13,957
Professional services	-	10,000	4,623	19,553	4,623	38,799
Bank, credit card and broker commission fees	-	-	-	25,169	25,169	50,338
Depreciation	-	-	-	11,923	-	11,923
Loss on disposal of assets	-	-	-	32,261	-	32,261
Contributed services:						
Media coverage	-	-	-	-	379,579	379,579
Special event	-	-	-	-	141,475	141,475
Creative advertising and public relations	-	-	-	-	107,383	107,383
Fundraising research	-	-	-	19,050	-	19,050
Miscellaneous	-	3,308	582	-	582	4,472
Total expenses	\$ 8,526,736	\$ 233,702	\$ 1,061,884	\$ 402,607	\$ 1,360,006	\$11,584,935