

UNITED PERFORMING ARTS FUND, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED AUGUST 31, 2020 AND 2019



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**UNITED PERFORMING ARTS FUND, INC.
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YEARS ENDED AUGUST 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020 and 2019, and the related statements of activities, functional expenses, 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 auditor considers internal control relevant to the entity'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 entity'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.

Board of Directors
United Performing Arts Fund, Inc.

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, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of allocations to member organizations and affiliates 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 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 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
November 23, 2020

UNITED PERFORMING ARTS FUND, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,339,167	\$ 4,589,815
Investments, at Fair Value	1,850,033	2,489,033
Contributions Receivable, Net of Allowance	3,252,340	3,114,772
Advance Payments to Member Groups	749,998	949,999
Prepaid Expenses	11,920	17,057
Total Current Assets	10,203,458	11,160,676
LONG-TERM PORTION OF CONTRIBUTIONS RECEIVABLE, Net	185,941	272,325
PROPERTY AND EQUIPMENT, Net	3,168	6,969
ENDOWMENT FUNDS		
Board Designated, 21st Century Fund	3,318,257	1,970,510
Beneficial Interest in Assets Held at the Greater Milwaukee Foundation	-	414,949
Total Endowment Funds	3,318,257	2,385,459
Total Assets	\$ 13,710,824	\$ 13,825,429
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 53,981	\$ 76,813
Accrued Lease Payable	-	7,984
Accrued Compensation and Related Benefits	193,002	182,750
Donor Designations Payable	1,239,136	1,259,539
Total Current Liabilities	1,486,119	1,527,086
NET ASSETS		
Without Donor Restrictions:		
Undesignated and Available for Future Operations	1,638,024	2,343,283
Reserved for Future Allocations to Member Groups and Affiliates	5,474,224	6,232,811
Board Designated, 21st Century Fund	3,318,257	1,970,510
Total Without Donor Restrictions	10,430,505	10,546,604
With Donor Restrictions	1,794,200	1,751,739
Total Net Assets	12,224,705	12,298,343
Total Liabilities and Net Assets	\$ 13,710,824	\$ 13,825,429

See accompanying Notes to Financial Statements.

UNITED PERFORMING ARTS FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Non-Board Designated	Board Designated		
REVENUE, SUPPORT, AND GAINS				
Public Support:				
Gross Fundraising Contributions	\$ 9,251,056	\$ -	\$ 1,514,775	\$ 10,765,831
Less: Donor Designations	(1,652,272)	-	-	(1,652,272)
Less: Provision for Uncollectible Promises	(250,235)	-	-	(250,235)
Net Fundraising Contributions	7,348,549	-	1,514,775	8,863,324
Government Grant	304,200	-	-	304,200
Special Event Income, Net of Costs of				
Direct Benefits to Donors of \$50,846	357,933	-	-	357,933
Donated Services	216,574	-	-	216,574
Total Public Support	8,227,256	-	1,514,775	9,742,031
Nonoperating Revenue:				
Investment Return	7,210	708,747	-	715,957
Net Return on Beneficial Interest in Assets				
Held at Greater Milwaukee Foundation	-	-	7,635	7,635
Total Nonoperating Revenue	7,210	708,747	7,635	723,592
Appropriations for Expenditure	307,454	-	(307,454)	-
Allocations into Endowment Funds	(639,000)	639,000	-	-
Adjustment to Endowment Funds				
Identified with no Variance Power	-	-	(115,130)	(115,130)
Net Assets Released from Restrictions	1,057,365	-	(1,057,365)	-
Total Revenue, Support, and Gains	8,960,285	1,347,747	42,461	10,350,493
EXPENSES				
Program Services:				
Allocations to Member Organizations and Affiliates	7,084,296	-	-	7,084,296
Other Member Support	603,158	-	-	603,158
Community Engagement	124,064	-	-	124,064
Awareness	842,045	-	-	842,045
Total Program Services	8,653,563	-	-	8,653,563
Supporting Services:				
Administrative Expenses	459,602	-	-	459,602
Fundraising	1,310,966	-	-	1,310,966
Total Supporting Services	1,770,568	-	-	1,770,568
Total Expenses	10,424,131	-	-	10,424,131
CHANGE IN NET ASSETS	(1,463,846)	1,347,747	42,461	(73,638)
Net Assets - Beginning of Year	8,576,094	1,970,510	1,751,739	12,298,343
NET ASSETS - END OF YEAR	<u>\$ 7,112,248</u>	<u>\$ 3,318,257</u>	<u>\$ 1,794,200</u>	<u>\$ 12,224,705</u>

See accompanying Notes to Financial Statements.

UNITED PERFORMING ARTS FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Non-Board Designated	Board Designated		
REVENUE, SUPPORT, AND GAINS				
Public Support:				
Gross Fundraising Contributions	\$ 10,270,407	\$ -	\$ 974,494	\$ 11,244,901
Less: Donor Designations	(1,682,006)	-	-	(1,682,006)
Less: Provision for Uncollectible Promises	(256,856)	-	-	(256,856)
Net Fundraising Contributions	8,331,545	-	974,494	9,306,039
Special Event Income, Net of Costs of				
Direct Benefits to Donors of \$151,409	474,568	-	-	474,568
Donated Services	517,866	-	-	517,866
Total Public Support	9,323,979	-	974,494	10,298,473
Nonoperating Revenue:				
Investment Return	10,652	254,829	-	265,481
Return on Beneficial Interest in Assets				
Held at Greater Milwaukee Foundation	-	-	(6,514)	(6,514)
Total Nonoperating Revenue	10,652	254,829	(6,514)	258,967
Appropriation for Expenditure	712,225	(34,000)	(678,225)	-
Net Assets Released from Restrictions	929,380	-	(929,380)	-
Total Revenue, Support, and Gains	10,976,236	220,829	(639,625)	10,557,440
EXPENSES				
Program Services:				
Allocations to Member Organizations				
and Affiliates	7,171,500	-	-	7,171,500
Other Member Support	765,110	-	-	765,110
Community Engagement	129,448	-	-	129,448
Awareness	885,314	-	-	885,314
Total Program Services	8,951,372	-	-	8,951,372
Supporting Services:				
Administrative Expenses	443,656	-	-	443,656
Fundraising	1,576,239	-	-	1,576,239
Total Supporting Services	2,019,895	-	-	2,019,895
Total Expenses	10,971,267	-	-	10,971,267
CHANGE IN NET ASSETS	4,969	220,829	(639,625)	(413,827)
Net Assets - Beginning of Year	8,571,125	1,749,681	2,391,364	12,712,170
NET ASSETS - END OF YEAR	<u>\$ 8,576,094</u>	<u>\$ 1,970,510</u>	<u>\$ 1,751,739</u>	<u>\$ 12,298,343</u>

See accompanying Notes to Financial Statements.

**UNITED PERFORMING ARTS FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020**

	Program Services			Supporting Services			Total
	Allocations and Other Member Support	Community Engagement	Awareness	Administrative	Fundraising	Direct Benefit to Donors	
Allocations to Member Organizations and Affiliates	\$ 7,084,296	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,084,296
Special Board-Approved Member Funding	250,000	-	-	-	-	-	250,000
Member Marketing Projects	161,364	-	-	-	-	-	161,364
Salaries and Other Personnel Costs	182,287	110,172	556,297	335,351	825,025	-	2,009,132
Insurance	1,071	1,099	4,588	2,884	6,346	411	16,399
Printing and Publications	-	2,470	-	-	-	-	2,470
Rent	5,859	6,010	25,090	15,775	34,706	-	87,440
Equipment Rental and Maintenance	594	823	2,544	1,599	3,519	-	9,079
Office Supplies	310	686	3,987	835	4,496	-	10,314
Postage and Shipping	1,321	1,355	5,455	2,948	7,827	-	18,906
Telephone	352	361	1,508	948	2,086	-	5,255
Hardware and Software Support	-	-	31,540	23,102	54,642	-	109,284
Telefunding	-	-	56,495	-	56,496	-	112,991
Promotion and Advertising	-	-	88,644	-	22,161	-	110,805
Events and Donor Benefits	-	-	32,169	175	1,558	22,322	56,224
Meals, Travel, and Food	-	417	5,661	2,784	2,365	200	11,427
Fees and Permits	-	-	-	64	-	68	132
Merchandise	-	-	-	-	-	15,777	15,777
Dues, Memberships, and Conferences	-	-	4,469	-	4,470	-	8,939
Professional Services	-	-	23,486	24,240	23,487	11,250	82,463
Bank, Credit Card, and Broker Commission Fees	-	-	-	45,096	45,096	-	90,192
Depreciation	-	-	-	3,801	-	-	3,801
Contributed Services:							
Media Coverage	-	-	-	-	69,111	-	69,111
Special Event	-	-	-	-	76,623	-	76,623
Creative Advertising and Public Relations	-	-	-	-	47,840	-	47,840
Interns	-	-	-	-	23,000	-	23,000
Miscellaneous	-	671	112	-	112	818	1,713
Total Expenses	\$ 7,687,454	\$ 124,064	\$ 842,045	\$ 459,602	\$ 1,310,966	\$ 50,846	\$ 10,474,977

See accompanying Notes to Financial Statements.

UNITED PERFORMING ARTS FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	Program Services			Supporting Services			Total
	Allocations and Other Member Support	Community Engagement	Awareness	Administrative	Fundraising	Direct Benefit to Donors	
Allocations to Member Organizations and Affiliates	\$ 7,171,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,171,500
Special Board-Approved Member Funding	400,000	-	-	-	-	-	400,000
Member Marketing Projects	231,288	-	-	-	-	-	231,288
Salaries and Other Personnel Costs	125,156	87,687	637,710	324,479	761,138	-	1,936,170
Insurance	859	885	6,871	2,134	4,008	11,389	26,146
Printing and Publications	-	6,717	-	-	-	-	6,717
Rent	5,070	5,223	40,558	12,598	23,659	12,582	99,690
Equipment Rental and Maintenance	666	10,331	5,328	1,655	3,107	-	21,087
Office Supplies	376	1,696	5,330	934	4,078	-	12,414
Postage and Shipping	1,312	1,352	10,496	3,260	6,123	-	22,543
Telephone	383	395	3,067	953	1,789	-	6,587
Hardware and Software Support	-	-	20,122	23,765	43,887	-	87,774
Telefunding	-	-	-	-	125,124	-	125,124
Promotion and Advertising	-	7,432	100,566	-	25,141	-	133,139
Events and Donor Benefits	-	-	35,786	392	3,408	38,221	77,807
Meals, Travel, and Food	-	581	9,779	1,795	4,240	6,763	23,158
Fees and Permits	-	-	-	74	-	42,681	42,755
Merchandise	-	-	-	-	-	23,773	23,773
Dues, Memberships, and Conferences	-	-	7,002	-	7,001	-	14,003
Professional Services	-	-	3,119	23,700	3,119	15,000	44,938
Bank, Credit Card, and Broker Commission Fees	-	-	-	42,972	42,972	-	85,944
Depreciation	-	-	-	4,945	-	-	4,945
Contributed Services:							
Media Coverage	-	-	-	-	312,035	-	312,035
Special Event	-	-	-	-	190,831	-	190,831
Interns	-	-	-	-	15,000	-	15,000
Miscellaneous	-	7,149	(420)	-	(421)	1,000	7,308
Total Expenses	\$ 7,936,610	\$ 129,448	\$ 885,314	\$ 443,656	\$ 1,576,239	\$ 151,409	\$ 11,122,676

See accompanying Notes to Financial Statements.

UNITED PERFORMING ARTS FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (73,638)	\$ (413,827)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	3,801	4,945
Change in Allowance for Uncollectible Promises	-	(5,402)
Change in Discounts to Net Present Value	(13,616)	(17,727)
Adjustment to Endowment Funds	115,130	-
Realized Gains (Losses) on Investments, Including Mutual Fund Distributions	245,608	(346,109)
Unrealized Depreciation (Appreciation) on Investments	(936,425)	121,641
Return on Beneficial Interest in Assets Held at Greater Milwaukee Foundation	(7,635)	6,514
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(37,568)	376,001
Advance Payments to Member Groups	200,001	1
Prepaid Expenses	5,137	(5,729)
Accounts Payable	(22,832)	30,596
Accrued Lease Payable	(7,984)	(7,985)
Accrued Compensation and Other Related Benefits	10,252	(48,869)
Donor Designations Payable	(20,403)	(122,371)
Net Cash Used by Operating Activities	(540,172)	(428,321)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions Received from Beneficial Interest in Assets Held at Greater Milwaukee Foundation	307,454	678,225
Purchase of Investments, Including Net Reinvestment of Income	(17,930)	(330,361)
Net Cash Provided by Investing Activities	289,524	347,864
NET CHANGE IN CASH AND CASH EQUIVALENTS	(250,648)	(80,457)
Cash and Cash Equivalents - Beginning of Year	4,589,815	4,670,272
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,339,167	\$ 4,589,815

See accompanying Notes to Financial Statements.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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 nonprofit 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 campaign contributions that are used to support numerous performing arts organizations during the subsequent fiscal year and to pay UPAF's current operating expenses. For example, pledges that are not designated to specific member organizations from the spring 2020 campaign will fund allocations to member organizations and affiliates for the fiscal year beginning September 1, 2020. The amounts allocated to each member organization and affiliate are determined by a committee consisting of staff and members of the board of directors. These program allocations will be recorded as expenses during the fiscal year beginning September 1, 2020. Distribution of designated pledges by donors to both member and nonmember agencies may begin prior to the start of the fiscal year beginning September 1, 2019 and any unpaid amounts are recorded as donor designations payable in the statements of financial position.

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.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets of \$3,318,257 and \$1,970,510 as of August 31, 2020 and 2019, respectively, as a board-designated endowment to be used as an operating reserve. UPAF separately designated \$5,474,224 and \$6,232,811 of net assets without donor restrictions as of August 31, 2020 and 2019, respectively, that will be used to fund future allocations to member groups and affiliates during the next fiscal year.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

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.

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 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 net assets without donor restrictions unless the income or loss is restricted by donor or law.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General and donor-designated pledges to UPAF through the annual community campaign, less an allowance for uncollectible amounts, are recorded as receivables and gross campaign contributions in the year the unconditional promise is made. 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.

Donor Designations Payable

In certain limited situations, donors can specify their campaign contribution to a specific member group. These contributions are included in gross campaign contributions and then recorded as a direct reduction from gross campaign contributions in the year of designation and reported as donor designations payable. These amounts are typically paid with the board of directors approved allocation payments over a 12-month period beginning in July of each year.

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 net assets without donor restrictions 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 donor 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 net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. When contributions raised are designated by donors to be distributed to specific member organizations, UPAF acts as an agent and these contributions are considered agency transactions, and as such, are not included in net campaign contributions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Special event revenue is recognized when performance obligations are met. Special event revenues reported in the statements of activities include both contributions (nonreciprocal transactions) and exchange (reciprocal) transactions. For the years ended August 31, 2020 and 2019, special event revenue included \$117,226 and \$217,874, respectively, of exchange transactions. Such revenue is recognized over time, as all performance obligations are met when the events occur. Costs of direct benefits to donors for incidental activities are netted against special event revenue. Such costs totaled \$50,846 and \$151,409 for the years ended August 31, 2020 and 2019, respectively.

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 \$216,574 and \$517,866 for the years ended August 31, 2020 and 2019, 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.

Allocations to Member Organizations and Affiliates

Allocations to member organizations and affiliates are recorded as an expense in the year the allocations are determined and approved by the board of directors and the member organizations and affiliates have been notified of the awards. Current fiscal year allocations are based on the level of campaign pledges received during the previous fiscal year. UPAF makes ratable allocation payments over a 12-month period beginning in July of each year. Estimated payments begin in July and August of the current year for the next fiscal year and these payments are recorded as advance payments to member groups in the statements of financial position.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019 were \$110,806 and \$133,139, respectively.

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.

Functional Expense Allocation

UPAF classifies expenses into two functions: program services and supporting services. In the accompanying statements of functional expenses, all expenses are allocated based upon the functions to which they relate. Expenses that can be identified with a specific function are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's use of estimated time spent on the respective program and support functions.

Adoption of New Accounting Pronouncements

In fiscal year 2020, UPAF early adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the UPAF's financial position and results of operations upon adoption of this new standard.

In fiscal year 2020, UPAF adopted FASB Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, using a prospective method of adoption. The core guidance in ASU 2018-08 provided clarification on the determination of a contribution versus an exchange transaction and if determined to be a contribution, clarification on the presence of a condition which governs when the revenue or expense is recognized. The adoption of this accounting standard did not have an impact on UPAF's financial position or changes in its net assets.

Upcoming Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of income largely unchanged.

**UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 which is now effective for UPAF's year ending August 31, 2023. Management is currently evaluating the impact of ASU 2016-02 on the UPAF's financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying 2019 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

UPAF has evaluated events and transactions for potential recognition and disclosure in the financial statements through November 23, 2020, the date on which the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Total Financial Assets Available Within One Year:		
Cash and Cash Equivalents	\$ 4,339,167	\$ 4,589,815
Investments, Current Portion	1,850,033	2,489,033
Current Portion of Contributions Receivable, Net of Allowance	<u>3,252,340</u>	<u>3,114,772</u>
	9,441,540	10,193,620
Less Amounts Not Available for General Expenditures Within One Year Due to:		
Allocated to Member Groups & Affiliates	5,474,224	6,232,811
Donor Restricted to Time or Purpose Restrictions	<u>1,608,259</u>	<u>1,064,465</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,359,057</u>	<u>\$ 2,896,344</u>

UPAF's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

UPAF's board-designated endowment of \$3,318,257 and \$1,970,510, respectively, is subject to use as determined by the board of directors. Although UPAF does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

**UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

As part of the UPAF's liquidity management plan, they invest cash in excess of daily requirements in money market funds. The board will designate certain of its net assets without donor restrictions to be used to fund future allocations to member groups and affiliates during the next fiscal year.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Outstanding contributions receivable are expected to be realized as follows at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Less Than One Year	\$ 3,602,340	\$ 3,464,772
One to Five Years	<u>200,000</u>	<u>300,000</u>
Total	3,802,340	3,764,772
Less: Discount to Present Value	(14,059)	(27,675)
Less: Allowance for Uncollectible Pledges	<u>(350,000)</u>	<u>(350,000)</u>
Net Contributions Receivable	3,438,281	3,387,097
Less: Current Portion of Contributions Receivable	<u>3,252,340</u>	<u>3,114,772</u>
Long-Term Portion of Contributions Receivable	<u>\$ 185,941</u>	<u>\$ 272,325</u>

Estimated cash flows from pledges receivable have been discounted to present value as of August 31, 2020 and 2019 using a discount rate of 5% which was based on the expected rate of return on UPAF's investments.

NOTE 4 INVESTMENTS

Investments are reported at fair value and are summarized by type of investment as of August 31, 2020 and 2019 as follows:

	<u>Cost or Gift Value</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>August 31, 2020</u>			
Bond Mutual Funds	\$ 1,015,972	\$ 1,110,690	\$ 94,718
Equity Mutual Funds	2,482,699	3,689,367	1,206,668
Money Market Fund	<u>368,233</u>	<u>368,233</u>	-
Total Investments	<u>\$ 3,866,904</u>	<u>\$ 5,168,290</u>	<u>\$ 1,301,386</u>
<u>August 31, 2019</u>			
Bond Mutual Funds	\$ 1,146,653	\$ 1,199,061	\$ 52,408
Equity Mutual Funds	2,646,982	2,959,535	312,553
Money Market Fund	<u>300,947</u>	<u>300,947</u>	-
Total Investments	<u>\$ 4,094,582</u>	<u>\$ 4,459,543</u>	<u>\$ 364,961</u>

**UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 4 INVESTMENTS (CONTINUED)

Investments are classified in the accompanying statements of financial position as of August 31, 2020 and 2019 as follows:

	2020	2019
Current Assets:		
With Donor Restrictions	\$ 8,485	\$ 20,965
Without Donor Restrictions	1,841,548	2,468,068
Total	1,850,033	2,489,033
Noncurrent Assets:		
Board-Designated, 21st Century Fund	3,318,257	1,970,510
Total Investments	\$ 5,168,290	\$ 4,459,543

Return on investments as reported in the statements of activities for the years ended August 31, 2020 and 2019 is summarized as follows:

	2020	2019
Interest and Dividend Income	\$ 34,889	\$ 41,013
Net Realized Gains (Losses) on Investments, Including Mutual Fund Distributions	(245,608)	346,109
Net Unrealized Appreciation (Depreciation) on Investments	936,425	(121,641)
Investment Fees	(9,749)	-
Total Return of Investments	\$ 715,957	\$ 265,481

NOTE 5 ENDOWMENT FUNDS

UPAF's endowment funds consisted of two separate funds established to support the mission of UPAF and its member organizations and affiliates. Both endowment funds had been designated by the board of directors to function as endowments and the net assets associated with these endowment funds were 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 was held in pooled funds managed by the Greater Milwaukee Foundation (the Foundation). A trust agreement pertaining to the management of the GMFEF had permitted quarterly distributions from the GMFEF according to the distribution policy that was available for current operations. Under certain circumstances, additional distributions from the GMFEF's principal and accumulated earnings to UPAF were requested or given to member organizations at the discretion of the UPAF board of directors with final approval from the Foundation trustees. GMFEF investments consisted of equity and bond mutual funds which are all recorded at fair value. During the year ended August 31, 2020, the total amount within the GMFEF was fully liquidated and given to member organizations.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

Beneficial Interest in the Assets Held at the Greater Milwaukee Foundation Endowment Fund (Continued)

The GMFEF was established by UPAF's board of directors using prior restricted donations to provide support for UPAF's mission. These funds were the legal assets of the Foundation with the restriction that the Foundation make distributions to UPAF as needed. The agreement governing these assets included 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. It was subsequently determined that \$115,130 of the funds held by the Foundation did not have variance power which did not allow for distributions. These funds will remain at the Foundation for the benefit of UPAF but are no longer reported as a beneficial interest in the assets held at the Foundation. Earnings from these funds are available for distribution to UPAF on an annual basis.

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 noncampaign 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 both endowment funds, 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.

Distributions from the GMFEF were made quarterly through December 2019 in accordance with the distribution policy which was 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 were made. Distributions from the 21st Century Fund can only be appropriated upon the approval of the UPAF board of directors as needed.

**UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

**Beneficial Interest in the Assets Held at the Greater Milwaukee Foundation
Endowment Fund (Continued)**

UPAF followed 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 five year annualized basis. The investment policy is to obtain the highest possible total return while maintaining a prudently acceptable level of risk and maximizing income to satisfy the needs of the Fund. In order to meet its needs, the investment strategy of the 21st Century Fund is to emphasize total return with aggregate returns from capital appreciation and dividend and interest income. Assets are to be invested in a well-diversified asset mix, with a target of 70% for equity funds and 30% of fixed income and cash.

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, 2020 and 2019 consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>August 31, 2020</u>			
Beneficial Interest in GMFEF	\$ -	\$ -	\$ -
Board-Designated Funds	3,318,257	-	3,318,257
Total Endowment Funds	<u>\$ 3,318,257</u>	<u>\$ -</u>	<u>\$ 3,318,257</u>
<u>August 31, 2019</u>			
Beneficial Interest in GMFEF	\$ -	\$ 414,949	\$ 414,949
Board-Designated Funds	1,970,510	-	1,970,510
Total Endowment Funds	<u>\$ 1,970,510</u>	<u>\$ 414,949</u>	<u>\$ 2,385,459</u>

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

The changes in the endowment net assets for the years ended August 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>August 31, 2020</u>			
Endowment Investments - Beginning of Year	\$ 1,970,510	\$ 414,949	\$ 2,385,459
Investment Return:			
Interest Income	27,679	2,503	30,182
Net Realized and Unrealized Appreciation (Depreciation)	690,817	6,751	697,568
Administrative Fees	(9,749)	(1,619)	(11,368)
Total Investment Return	<u>708,747</u>	<u>7,635</u>	<u>716,382</u>
Allocations into Endowment Funds	639,000	-	639,000
Adjustment to Endowment Funds			
Identified with no Variance Power	-	(115,130)	(115,130)
Appropriations for Expenditure	<u>-</u>	<u>(307,454)</u>	<u>(307,454)</u>
Endowment Investments - End of Year	<u>\$ 3,318,257</u>	<u>\$ -</u>	<u>\$ 3,318,257</u>
<u>August 31, 2019</u>			
Endowment Investments - Beginning of Year	\$ 1,749,681	\$ 1,099,688	\$ 2,849,369
Investment Return:			
Interest Income	30,361	6,256	36,617
Net Realized and Unrealized Appreciation (Depreciation)	224,468	(3,858)	220,610
Administrative Fees	-	(8,912)	(8,912)
Total Investment Return	<u>254,829</u>	<u>(6,514)</u>	<u>248,315</u>
Appropriations for Expenditure	<u>(34,000)</u>	<u>(678,225)</u>	<u>(712,225)</u>
Endowment Investments - End of Year	<u>\$ 1,970,510</u>	<u>\$ 414,949</u>	<u>\$ 2,385,459</u>

The Board of Directors approved the release of donor restricted funds during the year ended August 31, 2020 for special funding awarded to and requested by member organizations for the remaining balance in the GMFEF fund of \$307,454 which completed an initiative to liquidate the entire balance within the GMFEF account. Upon final review of the liquidation of the GMFEF, the Foundation determined that \$115,130 was permanently restricted by certain donors and therefore these funds remain under the control of the Foundation. These funds could not be distributed to UPAF; therefore, an adjustment was made to remove these assets. Quarterly distributions in accordance with the distribution policy from the GMFEF were \$0 and \$28,225 during the years ended August 31, 2020 and 2019, respectively.

The Board of Directors approved the release of donor restricted funds during the year ended August 31, 2019 for special funding awarded to and requested by three member organizations totaling \$650,000. In addition, the Board of Directors approved the appropriation of \$34,000 to be used for a special marketing project during the year ended August 31, 2019 with funds provided from the 21st Century Fund.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 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 UPAF's share of the fair value of the underlying trust assets held by the Foundation and that interest is adjusted for its share of the changes in net assets. 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.

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.

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables provide by level, within the fair value hierarchy, UPAF's investment assets as of August 31, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Investments, at Fair Value:				
Bond Mutual Funds	\$ 1,110,690	\$ -	\$ -	\$ 1,110,690
Equity Mutual Funds:				
Small-Cap Funds	565,496	-	-	565,496
Mid-Cap Funds	449,873	-	-	449,873
Large-Cap Funds	1,702,471	-	-	1,702,471
International	593,557	-	-	593,557
Emerging Markets Funds	377,970	-	-	377,970
Money Market Fund	368,233	-	-	368,233
Total Investments at Fair Value	<u>\$ 5,168,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,168,290</u>
	2019			Total
	Level 1	Level 2	Level 3	
Investments, at Fair Value:				
Bond Mutual Funds	\$ 1,199,061	\$ -	\$ -	\$ 1,199,061
Equity Mutual Funds:				
Mid-Cap Funds	1,761,906	-	-	1,761,906
Large-Cap Funds	617,060	-	-	617,060
International	580,569	-	-	580,569
Money Market Fund	300,947	-	-	300,947
Beneficial Interest in Assets Held at the Foundation	-	-	414,949	414,949
Total Investments at Fair Value	<u>\$ 4,459,543</u>	<u>\$ -</u>	<u>\$ 414,949</u>	<u>\$ 4,874,492</u>

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, 2020 and 2019:

	2020	2019
Beneficial Interest in Assets Held at the Foundation - Beginning of Year	\$ 414,949	\$ 1,099,688
Interest Income	2,503	6,256
Net Realized and Unrealized Appreciation (Depreciation)	6,751	(3,858)
Administrative Fees	(1,619)	(8,912)
Adjustment to Endowment Funds Identified with no Variance Power	(115,130)	-
Appropriations for Expenditure	(307,454)	(678,225)
Beneficial Interest in Assets Held at the Foundation - End of Year	<u>\$ -</u>	<u>\$ 414,949</u>

UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 7 PROPERTY AND EQUIPMENT

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

	Depreciable Lives	2020	2019
Computer Equipment and Software	3 to 5 Years	\$ 90,212	\$ 90,212
Less: Accumulated Depreciation		87,044	83,243
Property and Equipment, Net		<u>\$ 3,168</u>	<u>\$ 6,969</u>

Depreciation expense for the years ended August 31, 2020 and 2019 totaled \$3,801 and \$4,945, respectively.

NOTE 8 LINE OF CREDIT

As of August 31, 2020 and 2019, UPAF has an unsecured revolving line of credit agreement with a bank that allows UPAF to borrow up to \$750,000 at an interest rate of 2% over the one-month London Interbank Offered Rate (LIBOR). The interest rates in effect as of August 31, 2020 and 2019 were 3.00% and 4.22%, respectively. The agreement has no expiration and there were no outstanding borrowings under the line of credit as of August 31, 2020 and 2019.

NOTE 9 PAYCHECK PROTECTION PROGRAM

On April 16, 2020, UPAF received Federal proceeds in the amount of \$304,200 to fund payroll, rent and utilities through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outline in the loan agreement and the CARES Act. Therefore, UPAF has accounted for this loan as a conditional grant for accounting purposes. UPAF recognized \$304,200 of government grant revenue related to this agreement during the year ended August 31, 2020, which represents the portion of the PPP loan funds for which the performance barriers are expected to be met. The SBA has not formally forgiven any portion of UPAF's obligation under this PPP loan as of August 31, 2020, but management anticipates that full forgiveness of the loan will be approved. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if UPAF fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The covered period from April 16, 2020 to October 1, 2020 is the time period that an organization has to spend their PPP Loan funds.

**UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 10 OPERATING LEASE

Beginning January 1, 2013, UPAF had entered into a long-term noncancelable operating lease for office space that expired on June 30, 2020. The building lease contained renewal options for two additional five-year periods. UPAF exercised the first of the five year renewal which now expires on June 30, 2025. Lease expense on UPAF's office space was recognized on the straight-line basis over the original term of the lease. The difference between the expense amount recorded and the cumulative actual lease payments paid was recognized as a liability on the statement of financial position as of August 31, 2019. Rent expense on the office space operating lease was \$80,020 and \$77,558 for the years ended August 31, 2020 and 2019, respectively.

The future minimum annual rental commitment remaining under this operating lease as of August 31, 2020 is as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2021	\$ 88,999
2022	90,785
2023	92,597
2024	94,446
2025	80,174
Total	<u>\$ 447,001</u>

NOTE 11 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, 2020 and 2019 is \$13,150 and \$10,458, respectively. The board of directors may also be employees of organizations with which UPAF conducts business. All business transactions involving the board of directors, their employers 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.

NOTE 12 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, 2020 and 2019, 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, 2020 and 2019 was \$48,736 and \$48,034, respectively.

**UNITED PERFORMING ARTS FUND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Contributions Received and Restricted to Use for Future Years (Held in Investments)	\$ 8,485	\$ 20,965
Contributions Restricted for UPAF Programs:		
Bright Minds Arts Education	522,500	578,500
Kasey's Fund (Outreach and education)	719,774	-
UPAF Connect (Awareness)	189,500	250,000
Contributions Receivable Restricted to Time	353,941	487,325
Total Contributions Restricted	1,794,200	1,336,790
Greater Milwaukee Foundation Endowment Fund	-	414,949
Total Net Assets With Donor Restrictions	\$ 1,794,200	\$ 1,751,739

NOTE 14 PROGRAMS

UPAF's primary purpose is to collectively raise operating funds from its annual campaign and other fund raising events for the benefit of all of its member organizations and affiliates. In addition to supporting these member organizations and affiliates with the allocation and distributions of available financial resources, UPAF also exists to provide the following services for the general benefit of the performing arts:

Community Engagement – Annually, UPAF hosts community events to bring people and communities together and bridge cultural divides in celebration of the impact the performing arts makes in southeastern Wisconsin.

Awareness – Through fundraising campaigns, community events, and opportunities to increase access to the performing arts for all, UPAF strives to generate a greater awareness of the local arts industry sector and non-profit performing arts member organizations as well as seeks to continuously educate the general public as to the benefits of and importance in growing and maintaining a healthy, robust, local performing arts community.

UNITED PERFORMING ARTS FUND, INC.
SCHEDULES OF ALLOCATIONS TO MEMBER ORGANIZATIONS AND AFFILIATES
YEARS ENDED AUGUST 31, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
Member Organizations:		
Bel Canto Chorus of Milwaukee, Inc.	\$ 43,379	\$ 45,756
Danceworks, Inc.	176,524	170,865
First Stage Milwaukee, Inc.	941,016	981,636
Florentine Opera Company, Inc.	777,729	796,082
Milwaukee Ballet Company, Inc.	1,059,647	1,097,197
Milwaukee Chamber Theatre, Ltd.	156,504	158,756
Milwaukee Children's Choir	31,620	48,024
Milwaukee Repertory Theater, Inc.	1,805,124	1,824,454
Milwaukee Symphony Orchestra, Inc.	2,360,843	2,391,397
Milwaukee Youth Symphony Orchestra, Inc.	389,422	427,203
Next Act Theatre, Inc.	138,100	144,522
Present Music, Inc.	68,217	113,276
Renaissance Theaterworks, Inc.	153,151	160,236
Skylight Music Theatre Corporation	<u>543,042</u>	<u>525,681</u>
Total Allocations to Member Organizations	8,644,318	8,885,085
Affiliates	<u>175,682</u>	<u>159,915</u>
Total Allocations to Member Organizations and Affiliates	<u>\$ 8,820,000</u>	<u>\$ 9,045,000</u>
Donor Designations Directed to Member Organizations	\$ 1,697,006	\$ 1,897,268
Donor Designations Directed to UPAF Programs	828,500	809,000
UPAF Allocations	<u>6,294,494</u>	<u>6,338,732</u>
Total	<u>\$ 8,820,000</u>	<u>\$ 9,045,000</u>