



**MILWAUKEE BALLET COMPANY, INC.  
AND SUBSIDIARY**

---

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2021 and 2020



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**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
**TABLE OF CONTENTS**

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	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT .....	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position.....	3-4
Consolidated Statements of Activities .....	5-8
Consolidated Statements of Functional Expenses.....	9-10
Consolidated Statements of Cash Flows .....	11-12
Notes to Consolidated Financial Statements.....	13-31
SUPPLEMENTARY INFORMATION	
Consolidated Schedule of Operational Results (Unaudited).....	32
Note to Consolidated Schedule of Operational Results (Unaudited).....	33

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Milwaukee Ballet Company, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Milwaukee Ballet Company, Inc. and Subsidiary (a nonprofit organization) which comprise the consolidated statements of financial position as of July 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Milwaukee Ballet Company, Inc. and Subsidiary as of July 31, 2021 and 2020, 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 Matters**

### *Supplementary Information*

Our audit was conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The supplementary information and note to supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Sikich LLP*

Brookfield, Wisconsin  
November 4, 2021

## **CONSOLIDATED FINANCIAL STATEMENTS**

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of July 31, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,909,833	\$ 938,204
Miscellaneous receivables	2,763	18,695
Pledges receivable - current	1,180,033	1,822,374
Inventory	81,877	91,939
Prepaid expense and other assets	87,573	78,633
Total current assets	<u>5,262,079</u>	<u>2,949,845</u>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<u>17,204,444</u>	<u>17,711,859</u>
<b>OTHER ASSETS</b>		
Cash - capital projects	2,090,180	1,859,237
Pledges receivable - long term, net	622,796	1,411,094
Building held for sale	-	155,890
Beneficial interest in assets held by the Greater Milwaukee Foundation	743,548	625,549
Total other assets	<u>3,456,524</u>	<u>4,051,770</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 25,923,047</u></u>	<u><u>\$ 24,713,474</u></u>

(This statement is continued on the following page.)

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

As of July 31, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 91,310	\$ 99,922
Accrued liabilities	348,725	261,146
Refundable grant advance	1,741,553	735,000
Deferred revenue	445,108	414,942
Capital leases payable - current	1,180	1,780
Total current liabilities	2,627,876	1,512,790
<b>LONG-TERM LIABILITIES</b>		
Capital leases payable - long term	3,389	4,463
Line of credit - construction	1,052,214	5,899,714
Total liabilities	3,683,479	7,416,967
<b>NET ASSETS</b>		
Without donor restrictions	14,811,477	12,308,917
With donor restrictions	7,428,091	4,987,590
Total net assets	22,239,568	17,296,507
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 25,923,047</b>	<b>\$ 24,713,474</b>

See accompanying notes to consolidated financial statements.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended July 31, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
United Performing Arts Fund	\$ 803,457	\$ 116,077	\$ 919,534
Contributions	892,252	3,467,243	4,359,495
Noncash contributions	266,355	-	266,355
Foundation grants and contributions	668,194	126,440	794,634
Paycheck Protection Program grant	735,000	-	735,000
Earned income credit grant	335,579	-	335,579
Special events	-	5,000	5,000
<b>Total support</b>	<b>3,700,837</b>	<b>3,714,760</b>	<b>7,415,597</b>
Subscription series performance	138,170	-	138,170
School tuition	1,584,320	-	1,584,320
Outreach	3,581	-	3,581
Rental and other revenue	25,842	-	25,842
Investment return	1,223	-	1,223
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	129,817	129,817
Gain on sale of property and equipment	467,067	-	467,067
Retail	14,781	-	14,781
Less: Cost of sales	(4,207)	-	(4,207)
<b>Net retail</b>	<b>10,574</b>	<b>-</b>	<b>10,574</b>
<b>Total revenue</b>	<b>2,230,777</b>	<b>129,817</b>	<b>2,360,594</b>
Net assets released from restrictions	1,404,076	(1,404,076)	-
<b>Total support and revenue</b>	<b>7,335,690</b>	<b>2,440,501</b>	<b>9,776,191</b>

(This statement is continued on the following page.)



**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)**

For the Year Ended July 31, 2021

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>EXPENSES</b>			
Program services			
Ballet performances	\$ 2,325,822	\$ -	\$ 2,325,822
Ballet school and academy	1,387,756	-	1,387,756
Community engagement and education	309,963	-	309,963
Total program services	4,023,541	-	4,023,541
Supporting activities			
Management and general	640,155	-	640,155
Fundraising	169,434	-	169,434
Total supporting activities	809,589	-	809,589
Total expenses	4,833,130	-	4,833,130
CHANGE IN NET ASSETS	2,502,560	2,440,501	4,943,061
NET ASSETS - BEGINNING OF YEAR	12,308,917	4,987,590	17,296,507
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 14,811,477</b>	<b>\$ 7,428,091</b>	<b>\$ 22,239,568</b>

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See accompanying notes to consolidated financial statements.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended July 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
United Performing Arts Fund	\$ 774,007	\$ 113,637	\$ 887,644
Contributions	1,112,509	1,078,087	2,190,596
Noncash contributions	272,194	-	272,194
Foundation grants and contributions	549,166	151,984	701,150
Special events, net of costs of direct benefit to donors of \$66,093	505,718	-	505,718
Total support	3,213,594	1,343,708	4,557,302
Subscription series performance	1,518,111	-	1,518,111
School tuition	1,073,650	-	1,073,650
Outreach	14,017	-	14,017
Rental and other revenue	125,367	-	125,367
Investment return	5,679	-	5,679
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	43,384	43,384
Retail	78,009	-	78,009
Less: Cost of sales	(53,879)	-	(53,879)
Net retail	24,130	-	24,130
Total revenue	2,760,954	43,384	2,804,338
Net assets released from restrictions	2,931,967	(2,931,967)	-
Total support and revenue	8,906,515	(1,544,875)	7,361,640

(This statement is continued on the following page.)

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)**

For the Year Ended July 31, 2020

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>EXPENSES</b>			
Program services			
Ballet performances	\$ 4,480,466	\$ -	\$ 4,480,466
Ballet school and academy	1,372,433	-	1,372,433
Community engagement and education	594,858	-	594,858
Total program services	<u>6,447,757</u>	<u>-</u>	<u>6,447,757</u>
Supporting activities			
Management and general	832,884	-	832,884
Fundraising	303,101	-	303,101
Total supporting activities	<u>1,135,985</u>	<u>-</u>	<u>1,135,985</u>
Total expenses	<u>7,583,742</u>	<u>-</u>	<u>7,583,742</u>
CHANGE IN NET ASSETS	1,322,773	(1,544,875)	(222,102)
NET ASSETS - BEGINNING OF YEAR	<u>10,986,144</u>	<u>6,532,465</u>	<u>17,518,609</u>
NET ASSETS - END OF YEAR	<u>\$ 12,308,917</u>	<u>\$ 4,987,590</u>	<u>\$ 17,296,507</u>

See accompanying notes to consolidated financial statements.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended July 31, 2021

	<b>Ballet</b>	<b>Ballet School</b>	<b>Community</b>	<b>Total Program</b>	<b>Management</b>		<b>Cost of Direct</b>	<b>Cost of</b>	
	<b>Performances</b>	<b>and Academy</b>	<b>Engagement</b>	<b>Services</b>	<b>and General</b>	<b>Fundraising</b>	<b>Benefit to</b>	<b>Sales</b>	<b>2021 Total</b>
			<b>and Education</b>				<b>Donors</b>		
Salaries and wages	\$ 1,593,521	\$ 883,185	\$ 159,513	\$ 2,636,219	\$ 146,750	\$ 135,315	\$ -	\$ -	\$ 2,918,284
Contracted services	19,757	12,749	14,238	46,744	78,160	9,828	-	-	134,732
Rental expense	59,878	136,409	2,219	198,506	4,217	-	-	-	202,723
Royalty	15,375	-	-	15,375	-	-	-	-	15,375
Credit card service charges	7,833	56,570	-	64,403	-	6,004	-	-	70,407
Printing and postage	720	2,355	892	3,967	9,891	5,146	-	-	19,004
Material and supplies	26,117	7,256	394	33,767	9,817	77	-	4,207	47,868
Travel	1,218	1,775	424	3,417	104	279	-	-	3,800
Lodging-dorm	-	62,395	-	62,395	-	-	-	-	62,395
Telephone	2,963	5,035	279	8,277	8,328	-	-	-	16,605
Professional Fees	-	11,033	145	11,178	77,144	-	-	-	88,322
Professional fees- gift in kind	67,755	-	-	67,755	139,291	-	-	-	207,046
Meals and entertainment	-	934	93	1,027	-	117	-	-	1,144
Miscellaneous	1,025	7,835	26,125	34,985	4,729	295	-	-	40,009
Occupancy	113,141	63,444	29,023	205,608	7,286	-	-	-	212,894
Costumes and shoes	19,479	1,127	1,263	21,869	-	-	-	-	21,869
Depreciation	368,650	133,242	75,355	577,247	10,673	8,243	-	-	596,163
Insurance	2,455	-	-	2,455	53,303	-	-	-	55,758
Advertising and promotions	25,935	2,412	-	28,347	7,596	4,130	-	-	40,073
Interest	-	-	-	-	69,687	-	-	-	69,687
Bad debt	-	-	-	-	13,179	-	-	-	13,179
	<b>\$ 2,325,822</b>	<b>\$ 1,387,756</b>	<b>\$ 309,963</b>	<b>\$ 4,023,541</b>	<b>\$ 640,155</b>	<b>\$ 169,434</b>	<b>\$ -</b>	<b>\$ 4,207</b>	<b>\$ 4,837,337</b>

See accompanying notes to consolidated financial statements.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended July 31, 2020

	<b>Ballet</b>	<b>Ballet School</b>	<b>Community</b>	<b>Total Program</b>	<b>Management</b>	<b>Cost of Direct</b>	<b>Cost of</b>	<b>Total</b>
	<b>Performances</b>	<b>and Academy</b>	<b>Engagement</b>	<b>Services</b>	<b>and General</b>	<b>Benefit to</b>	<b>Sales</b>	
			<b>and Education</b>			<b>Donors</b>		
Salaries and wages	\$ 2,705,575	\$ 850,237	\$ 296,106	\$ 3,851,918	\$ 181,812	\$ 195,899	\$ -	\$ 4,229,629
Contracted services	288,762	23,878	91,381	404,021	69,589	27,585	-	501,195
Contracted choreography services	40,440	-	8,000	48,440	-	-	-	48,440
Rental expense	304,433	138,098	21,711	464,242	3,615	27,741	-	495,598
Royalty	25,882	-	-	25,882	-	-	-	25,882
Credit card service charges	50,702	37,863	60	88,625	-	11,817	-	100,442
Printing and postage	1,895	4,017	5,488	11,400	27,159	9,640	-	48,199
Materials and supplies	54,125	8,568	4,181	66,874	34,357	7,279	-	162,389
Travel	15,692	19,575	8,745	44,012	1,753	343	-	46,108
Lodging dorm	-	450	-	450	-	-	-	450
Telephone	3,265	4,100	1,145	8,510	14,214	-	-	22,724
Professional fees	-	7,559	355	7,914	43,461	140	-	51,515
Professional fees - capital campaign	-	-	-	-	-	1,575	-	1,575
Professional fees - gift in	153,697	-	-	153,697	118,497	-	-	272,194
Meals and entertainment	1,005	124	3,945	5,074	1,284	6,225	66,093	78,676
Miscellaneous	5,987	4,983	15,433	26,403	11,519	4,042	-	41,964
Occupancy	99,739	9,091	277	109,107	30,443	23	-	139,573
Costumes and shoes	22,766	478	26,001	49,245	-	-	-	49,245
Depreciation	399,462	142,324	81,244	623,030	11,508	8,887	-	643,425
Interest*	-	-	-	-	196,888	-	-	196,888
Insurance	2,276	-	-	2,276	44,295	-	-	46,571
Advertising and promotion	304,763	121,088	30,786	456,637	3,528	1,905	-	462,070
Bad debt	-	-	-	-	38,962	-	-	38,962
	<b>\$ 4,480,466</b>	<b>\$ 1,372,433</b>	<b>\$ 594,858</b>	<b>\$ 6,447,757</b>	<b>\$ 832,884</b>	<b>\$ 303,101</b>	<b>\$ 66,093</b>	<b>\$ 7,703,714</b>

\*Interest is related to the construction line of credit

See accompanying notes to consolidated financial statements.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,943,061	\$ (222,102)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	596,163	643,425
Gain on sale of property and equipment	(467,067)	(3,300)
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	(129,817)	(43,384)
Contributions restricted for long-term purposes	(3,250)	(7,000)
Bad debt expense	13,179	38,962
Decrease (increase) in:		
Miscellaneous receivables	15,932	9,360
Pledges receivable	215,028	7,436
Inventory	10,062	(20,821)
Prepaid expenses and other assets	(8,940)	99,379
Increase (decrease) in:		
Accounts payable	(8,612)	(1,455,520)
Accrued liabilities	87,579	30,539
Deferred revenue	30,166	(139,019)
Refundable grant advance	1,006,553	735,000
Net cash from operating activities	<u>6,300,037</u>	<u>(327,045)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(88,748)	(419,605)
Proceeds from sale of property and equipment	622,957	12,600
Distributions from the Greater Milwaukee Foundation	11,818	5,891
Net cash from investing activities	<u>546,027</u>	<u>(401,114)</u>

(This statement is continued on the following page.)

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended July 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital leases payable	\$ (1,674)	\$ (3,335)
Draws on line of credit - construction	-	1,155,368
Payments on line of credit - construction	(4,847,500)	(1,050,000)
Draws on line of credit - operating	-	200,000
Payments on line of credit - operating	-	(200,000)
Proceeds from contributions restricted for long term purposes	1,205,682	1,893,260
Net cash from financing activities	(3,643,492)	1,995,293
<b>NET CHANGE IN CASH AND RESTRICTED CASH</b>	3,202,572	1,267,134
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	2,797,441	1,530,307
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	\$ 6,000,013	\$ 2,797,441
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash	\$ 3,909,833	\$ 938,204
Cash - capital projects	2,090,180	1,859,237
	\$ 6,000,013	\$ 2,797,441
Cash paid for interest	\$ 76,514	\$ 186,001
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Refinance of the construction line of credit to the promissory note	\$ 1,192,214	\$ -

See accompanying notes to consolidated financial statements.

# MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2021 and 2020

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### 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Milwaukee Ballet Company, Inc. and Subsidiary (the Milwaukee Ballet) is a nonprofit organization whose mission is to advance the art form of ballet serving a community that includes Wisconsin and Northern Illinois. The community has made a substantial investment in Milwaukee Ballet through pledges, contributions and various other support. The Milwaukee Ballet School & Academy (MBSA) was founded in 1975 and supports the growth of classical ballet by maintaining the highest standards while nurturing the talent of every student. The Orchestra of the Milwaukee Ballet was separately incorporated on November 13, 1995 as the Milwaukee Ballet Orchestra, Inc. (the Orchestra), a wholly owned subsidiary of the Milwaukee Ballet.

Descriptions of the Milwaukee Ballet's programs are as follows:

#### Ballet Performances

The Milwaukee Ballet Company, Inc., consisting of international dancers, performs in five productions each season and reaches more than 50,000 audience members annually. The second ballet company, known as the MBIs, is structured like a two-year fellowship program in which the dancers develop technical skills and artistry through training and performance, both in large-scale Company productions and through their own presentations.

#### Ballet School and Academy

In operation since 1975 and the only school in the Midwest accredited by the National Association of Schools of dance, Milwaukee Ballet School & Academy (MBSA) offers the finest training in a professional atmosphere. It supports the growth of classical ballet by maintaining the highest standards while nurturing the talent of every student.

#### Community Engagement and Education

Milwaukee Ballet's community engagement and education goal is to make ballet accessible to everybody. By introducing ballet to audiences of all ages, Milwaukee Ballet's Community Engagement and Education Programs bring the power of movement and dance to life, to inspire the lives of the people they reach.



**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Milwaukee Ballet Company, Inc. and its wholly owned subsidiary, Milwaukee Ballet Orchestra, Inc., collectively referred to as the “Milwaukee Ballet”. All significant inter-organizational transactions have been eliminated.

Method of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Milwaukee Ballet and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations. There were no board designated net assets as of July 31, 2021 or 2020.

With Donor Restrictions

Net assets subject to donor restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Milwaukee Ballet pursuant to those restrictions or are required to be held in perpetuity. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 these estimates.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalent

Milwaukee Ballet considers all short-term investments in interest-bearing bank accounts, debt securities and other instruments having an original maturity of three months or less, to be equivalent to cash.

Milwaukee Ballet maintains its cash and cash equivalents at one and two financial institutions, respectively, which, at times, may exceed federally insured limits. At July 31, 2021 and 2020, the balance of the deposits exceeded FDIC limits by approximately \$5,665,700 and \$2,573,300, respectively. The Milwaukee Ballet has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

Miscellaneous Receivables

Miscellaneous receivables consist of uncollected school tuition and other miscellaneous items. Milwaukee Ballet considers all accounts receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible they will be charged to operations when that determination is made.

Pledges Receivable

Unconditional pledges are recognized as support in the period the pledge is made. Pledges receivable in less than one year are recorded at their net realizable value. Pledges receivable in more than one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledge becomes unconditional.

Inventory

Inventories consist of boutique inventory and shoes, which are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Labor Agreements

Milwaukee Ballet has labor agreements with the American Federation of Musicians which expired June 30, 2020 and the American Guild of Musical Artists which expires June 30, 2021. The labor agreement dated July 1, 2018 through June 30, 2021 with the American Guild of Musical Artists was extended to June 30, 2022. The labor agreement with American Federation of Musicians is in negotiations and has not been renewed as of the date of this report. These agreements cover all performers employed by the Milwaukee Ballet and define all terms and conditions related to their employment. These agreements cover approximately 45% of the total Milwaukee Ballet workforce.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. All property and equipment expenditures greater than \$5,000 are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives. Depreciation expense is charged directly to the program which authorized the purchase of the related asset. Estimated lives of property and equipment consisted of the following:

	<u>Years</u>
Building	10-50
Building improvements	25
Leasehold improvements	4-10
Production equipment	3-20
Dance equipment	5-15
Furniture and fixtures	3-20
Office and technology equipment	3

Revenue Recognition

*UPAF, Contributions and grants*

Unconditional promises to give cash and other assets to the Milwaukee Ballet are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is deemed unconditional. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

*Contributions In-Kind*

The Milwaukee Ballet recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Donated assets are recorded in the consolidated financial statements as assets and revenue at their estimated fair market value on the date the assets are contributed. The Milwaukee Ballet's policy is to sell all donated securities as soon as administratively feasible after they are received.

Revenue from Contracts with Customers

*Performance Revenue*

Revenue from performances, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided. Performance obligations associated with performances include execution of the ballet performance. Revenue is recognized at the point in time the ballet performance has been executed. Performance revenue received before the ballet performance has been executed are deferred to the period to which they relate and are included in the consolidated statements of financial position as deferred revenue.

*Tuition Revenue*

Revenues from tuition and fees are derived from education services provided to students. Generally, tuition and other fees are due in advance of the academic term and recorded in deferred revenue until education services are provided to the student.

The nature of tuition gives rise to variable consideration in the form of scholarships awarded to students to defray the costs of the program, which reduce the transaction price (tuition). Scholarships awarded to students were \$79,180 and \$117,038, as of July 31, 2021 and 2020, respectively. Tuition and fees revenues are recognized ratably over the academic terms. The Milwaukee Ballet generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of services.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue from Contracts with Customers (Continued)

*Retail*

Revenue from the sale of product is recognized when the Milwaukee Ballet's performance obligations are satisfied, which generally occurs when title and control of the product is transferred to the customer. Once a product has been delivered, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from the asset. The Milwaukee Ballet recognizes revenue from product sales at a point in time, when the products are delivered and the title and risk of loss pass to the customer. There are no provisions for product returns. Provisions for discounts to customers are accounted for as reductions in revenues in the same period revenues are recorded.

Cost of goods sold is recognized at the fair value of merchandise sold. Revenue for store sales and the related cost of goods sold is recognized at the time of sale to the customer. All goods are paid for upon delivery.

*Significant Judgements*

Significant judgements associated with revenue recognized over time include estimates of time lapsed and time accumulation.

*Disaggregation of Revenue from Contracts with Customers*

	<u>2021</u>	<u>2021</u>
Point in time recognition:		
Subscription series performance	\$ 138,170	1,518,111
Retail	14,781	78,009
School tuition - over time recognition	1,584,320	1,073,650
<b>TOTAL</b>	<u>\$ 1,737,271</u>	<u>\$ 2,669,770</u>

*Contract Assets and Liabilities*

Contract liabilities consist of deferred performance revenue which consist of advance ticket sales and is liquidated when the performances are executed and are included on the consolidated statements of financial position as deferred revenue. There are no contract assets as of July 31, 2021, 2020 or 2019. Contract liabilities were as follows as of July 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred revenue	\$ 445,108	\$ 414,942	553,961

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue from Contracts with Customers (Continued)

Various economic factors could affect the recognition of revenues and cash flows, including the demand for performances, ability to provide services and performances and availability of labor.

Functional Allocation of Expenses

The Milwaukee Ballet allocates its expenses on a functional basis among its various programs as summarized on the consolidated statements of functional expenses. Expenses that can be identified with a specific program are allocated directly according to their natural classification. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed. Payroll and related expenses are allocated to the programs based on time and effort. Indirect administrative expenses are charged to the programs according to a cost allocation plan based on a percentage of total expenses. Depreciation of real estate and depreciation of equipment is charged to the program that authorized it.

Retirement Plans

403(b) Plan

Milwaukee Ballet sponsors a 403(b) plan covering substantially all employees working in excess of 1,000 hours per year. The Milwaukee Ballet may make discretionary contributions for the employee's benefit. The Milwaukee Ballet made no contributions to the plan during fiscal years 2021 and 2020.

Retirement Plan – Union Employees

The Milwaukee Ballet's union employees are covered by union sponsored, collectively bargained, multi-employer retirement plans for dancers and musicians. The total retirement contributions for years ended July 31, 2021 and 2020 were \$23,846 and \$39,789, respectively. These contributions are determined in accordance with the provisions of negotiated labor contracts and are based upon percentage of wages earned by each eligible employee. Union employees have the option of having their contribution made to either Milwaukee Ballet's 403(b) plan or the union sponsored retirement plan. There is no additional obligation to the Milwaukee Ballet beyond the participant contributions.

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prepaid Expenses Related to Future Performances

Operating and performance expenses incurred that relate to a future fiscal year are deferred and recognized in that year. Advertising costs are expensed as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of season brochures that relate to subsequent fiscal year performances. The capitalized costs of the advertising are expensed as the performances occur. As of July 31, 2021 and 2020, \$0 and \$27,722, respectively, of capitalized advertising costs are included in prepaid expenses.

Advertising Cost

Advertising expense for the years ended July 31, 2021 and 2020 was \$7,149 and \$285,099, respectively.

Income Tax Status

Milwaukee Ballet Company, Inc. and Subsidiary are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) as other than a private foundation and are exempt from federal and state income taxes on related income pursuant to Section 501(a). In addition, Milwaukee Ballet Company, Inc. and Subsidiary qualify for the charitable contribution deduction under Section 170(b)(1)(A).

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU 2016-02, as amended by ASU No. 2020-05, is effective for non-public entities for fiscal years beginning after December 15, 2021. ASU 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements* providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Milwaukee Ballet is currently assessing the impact of this new standard including the two optional transition methods.

In September 2020, FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. The Milwaukee Ballet is currently assessing the impact of this new standard.

Subsequent Events

Subsequent events are events or transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing financial statements (that is, recognized subsequent events, or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

Milwaukee Ballet has evaluated subsequent events through November 4, 2021, the date on which the consolidated financial statements were available to be issued and determined that there were no significant non-recognized subsequent events through that date.

**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:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 6,000,013	\$ 2,797,441
Miscellaneous receivables	2,763	18,695
Pledge receivable	1,802,829	3,233,468
Beneficial interest in assets held by the Greater Milwaukee Foundation	743,548	625,549
Total financial assets and liquid resources	8,549,153	6,675,153
Less donor imposed restrictions	(7,428,091)	(4,987,590)
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ 1,121,062</b>	<b>\$ 1,687,563</b>



**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**2. LIQUIDITY AND AVAILABILITY (Continued)**

The Milwaukee Ballet maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

**3. PLEDGES RECEIVABLE, NET**

Unconditional pledges receivable at July 31 are as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 1,180,033	\$ 1,822,374
One to five years	683,000	1,546,374
Total pledges receivable	1,863,033	3,368,748
Less: Adjustment to present value for future cash flows from pledges receivable	(60,204)	(135,280)
PLEDGES RECEIVABLE, NET	<u>\$ 1,802,829</u>	<u>\$ 3,233,468</u>

The discount rate used to determine the present value of pledges receivable is a risk adjusted rate of approximately 2-5% as of July 31, 2021 and 2020. Pledges receivable are periodically reviewed by management to determine the adequacy of the allowance for doubtful accounts. When all collection efforts have been exhausted, the pledges are written off against the related allowance. Actual write-offs might exceed the recorded allowance. Pledges that are written off and subsequently collected are credited to the allowance for uncollectible accounts. Based upon management's evaluation, the Milwaukee Ballet believes an allowance for doubtful accounts is not necessary for the years ending July 31, 2021 and 2020.

**4. CONDITIONAL PROMISES TO GIVE**

The Milwaukee Ballet has pledges relating to the capital campaign that are conditional upon certain milestones being achieved. The goal of the campaign is to build a new center for the Milwaukee Ballet and build reserves for the cost of operating the new facility. The Milwaukee Ballet completed construction and moved into its new center in August 2019. As of July 31, 2021 and 2020, these conditional promises totaled approximately \$6,700,000 and \$10,000,000, respectively. These pledges will be recognized as revenue when the respective conditions are met in future years.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**5. PROPERTY, PLANT AND EQUIPMENT**

Property and equipment consisted of the following at July 31:

	<b>2021</b>	<b>2020</b>
Land	\$ 2,659,226	\$ 2,659,226
Building	13,658,768	13,669,220
Leasehold improvements	94,208	94,208
Production equipment	3,461,633	3,392,787
Dance equipment	399,467	437,051
Furniture and fixtures	1,143,333	1,103,728
Construction in progress	3,875	40,579
	<u>21,420,510</u>	<u>21,396,799</u>
Less: Accumulated depreciation	4,216,066	3,684,940
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<u><u>\$ 17,204,444</u></u>	<u><u>\$ 17,711,859</u></u>

Depreciation expense was \$596,163 and \$643,425 for the years ended July 31, 2021 and 2020, respectively.

**6. BENEFICIAL INTEREST IN ASSETS HELD BY THE GREATER MILWAUKEE FOUNDATION**

In prior years, the Milwaukee Ballet transferred donor funds to the Greater Milwaukee Foundation (the Foundation) and specified itself as the beneficiary of the funds. Annually, the Foundation calculates distributions available to the Milwaukee Ballet in accordance with the Foundation's respective distribution policy. The Milwaukee Ballet maintains variance power over these assets and the funds may be withdrawn from the Foundation in their entirety with proper notice.

Also, the Foundation established a donor-imposed restricted endowment fund with a donor's bequest that Milwaukee Ballet would be a partial beneficiary (30% interest). As the Foundation maintains variance power in this asset, it is not recorded on Milwaukee Ballet's consolidated statements of financial position. There were no distributions for the years ended July 31, 2021 and 2020.

**7. FAIR VALUE MEASUREMENTS**

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Milwaukee Ballet to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**7. FAIR VALUE MEASUREMENTS (Continued)**

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using Net Asset Value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2 or 3, but are separately reported.

The Milwaukee Ballet recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended July 31, 2021 and 2020.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended July 31, 2021 and 2020.

*Beneficial Interest in assets held by the Greater Milwaukee Foundation:* Valued at the NAV per unit as reported by the Foundation.

Recurring Measurements

Assets measured at fair value on a recurring basis as of July 31, are as follows:

	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 743,548	\$ -	\$ 743,548
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ -</b>	<b>\$ 743,548</b>	<b>\$ -</b>	<b>\$ 743,548</b>

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7. FAIR VALUE MEASUREMENTS (Continued)**

Recurring Measurements (Continued)

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 625,549	\$ -	\$ 625,549
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ -</b>	<b>\$ 625,549</b>	<b>\$ -</b>	<b>\$ 625,549</b>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Milwaukee Ballet believes their 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 change in the value of the interest in assets held by the Greater Milwaukee Foundation is included as a separate line in the consolidated statements of activities.

**8. ENDOWMENT**

The Milwaukee Ballet's endowment consists of individual donor-imposed restricted endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Milwaukee Ballet's endowment funds consist of the interest in the assets held at the Greater Milwaukee Foundation.

Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Milwaukee Ballet has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin State legislature, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Milwaukee Ballet classifies as net assets to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**8. ENDOWMENT (Continued)**

The remaining portion of the donor-restricted endowment fund will be classified in with donor restricted net assets until those amounts are appropriated for expenditure by Milwaukee Ballet in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Milwaukee Ballet considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the funds, (b) the purpose of the Milwaukee Ballet and the donor restricted endowment, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Milwaukee Ballet, and (g) the investment policies of the Milwaukee Ballet.

Changes in endowment net assets for the year ended July 31, 2021 are as follows:

	<u>With Donor Restrictions</u>		
	<u>Restricted for</u>	<u>Donor Restricted</u>	
	<u>Time or Purpose</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 249,463	\$ 376,086	\$ 625,549
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	129,817	-	129,817
Amounts appropriated for expenditure	(11,818)	-	(11,818)
<b>ENDOWMENT ASSETS, END OF YEAR</b>	<b>\$ 367,462</b>	<b>\$ 376,086</b>	<b>\$ 743,548</b>

Changes in endowment net assets for the year ended July 31, 2020 are as follows:

	<u>With Donor Restrictions</u>		
	<u>Restricted for</u>	<u>Donor Restricted</u>	
	<u>Time or Purpose</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 211,970	\$ 376,086	\$ 588,056
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	43,384	-	43,384
Amounts appropriated for expenditure	(5,891)	-	(5,891)
<b>ENDOWMENT ASSETS, END OF YEAR</b>	<b>\$ 249,463</b>	<b>\$ 376,086</b>	<b>\$ 625,549</b>

**8. ENDOWMENT (Continued)**

Endowment Investment Policy

Milwaukee Ballet has adopted the investment and spending policy of the Greater Milwaukee Foundation for endowment assets. Endowment assets include those assets of donor-restricted funds that Milwaukee Ballet must hold in perpetuity or for the donor-specified periods. Under the Greater Milwaukee Foundation's policy, which was adopted by the Board of Directors, the investment portfolio shall be managed with the objective of attaining a comprehensive rate of return given the constraints of aforementioned safety and liquidity objectives. The investment portfolio is subject to periodic review to ensure this objective is met. To satisfy its long-term rate-of-return objectives, Milwaukee Ballet relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (investment income such as interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy

Milwaukee Ballet has adopted the spending policy used by the Greater Milwaukee Foundation. The policy is consistent with Milwaukee Ballet's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Milwaukee Ballet has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no amounts underwater as of July 31, 2021 and 2020.

**9. REFUNDABLE GRANT ADVANCE**

The Paycheck Protection Program is a low-interest Small Business Administration (SBA) loan and generally covers two and half months of payroll cost and may be forgiven entirely if the borrower maintains certain staffing levels and spends a certain amount of funds on salaries and other qualifying expenditures during the qualified period. The Milwaukee Ballet was approved for a loan on April 15, 2020 under this program in the amount of \$735,000, with an interest of 1% and maturity date of April 15, 2022. As of the report date, the Milwaukee Ballet met the requirements within the eligible timeframe and under the requirements of the Program to receive full forgiveness of the loan and recognized the grant revenue on the consolidated statements of activities.

**9. REFUNDABLE GRANT ADVANCE (Continued)**

The Milwaukee Ballet was approved for a second loan on March 31, 2021 under this program in the amount of \$735,000, with an interest of 1% and maturity date of March 31, 2026. The loan may be forgiven entirely if the borrower maintains certain staffing levels and spends a certain amount of funds on salaries and other qualifying expenditures during the qualified period. As of the report date, loan forgiveness requirements had not been met, however management anticipates meeting the requirements of forgiveness within the eligible timeframe and under the requirements of the Program. The balance of the advance is included on the consolidated statements of financial position as of July 31, 2021 as a refundable grant advance until forgiveness is approved.

During 2021, Milwaukee Ballet received \$1,006,553 under the Shuttered Venue Operators Grant (SVOG) through the SBA. Grant funds are conditional upon incurring certain qualifying expenditures. If qualifying expenditures are not incurred within the time frame specified under the grant, the funds are required to be returned to the SBA. The balance of the advance is included on the consolidated statements of financial position as of July 31, 2021 as a refundable grant advance until the conditions are met.

**10. REVOLVING CONSTRUCTION AGREEMENT**

Milwaukee Ballet entered into a revolving agreement with a financial institution in the amount of \$10,000,000 for the construction of a building. The agreement called for interest only payments of LIBOR (0.15% as of July 31, 2020) plus 1.85%. As of July 31, 2020, the outstanding balance was \$5,899,714. The revolving credit agreement converted into a term loan on July 5, 2021.

Terms of the term note agreement calls for interest only payments of LIBOR (0.09% as of July 31, 2021) less .75% with a floor of 2.85% until July 5, 2023 when the outstanding note balance plus any accrued interest is due in full. The agreement is secured by the outstanding pledge agreements and assets, excluding real estate, of the Milwaukee Ballet. A balance of \$1,052,214 was outstanding as of July 31, 2021.

The Milwaukee Ballet is required to meet various financial and non-financial covenants. As of July 31, 2021, the Milwaukee Ballet believes it is in compliance with these covenants.

**11. OPERATING LINE OF CREDIT**

Effective July 5, 2021, Milwaukee Ballet has an available operating line of credit with maximum available borrowings of \$750,000. Borrowings under this line of credit bear interest at the prime rate (3.25% as of July 31, 2021) less 0.50%. The line of credit is due on demand with 90 days written notice from the lender and is secured by physical business assets. There were no outstanding borrowings on the line of credit as of July 31, 2021.

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**12. CAPITAL LEASE OBLIGATIONS**

The Milwaukee Ballet has entered into capital lease agreements for equipment that expire between October 2020 and November 2024. The agreements require monthly payments ranging from \$117 to \$226, including principal and interest ranging from 6.121% to 7.038%. The cost, accumulated amortization and net book value of equipment under the capital leases were as follows at July 31:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 18,196	\$ 18,196
Less: Accumulated amortization	14,332	12,730
<b>TOTAL</b>	<u>\$ 3,864</u>	<u>\$ 5,466</u>

Amortization of capitalized lease assets included in depreciation expense was \$1,602 and \$3,521 in 2021 and 2020, respectively.

The future minimum lease payments required by the above capitalized leases together with the present value of the net minimum lease payments are as follows:

2022	\$ 1,406
2023	1,406
2024	1,406
2025	<u>469</u>
Total minimum lease payments	4,687
Less: Amount representing interest	<u>118</u>
Present value of net minimum lease payments	4,569
Amount due currently	<u>1,180</u>
<b>AMOUNT DUE AFTER ONE YEAR</b>	<u><u>\$ 3,389</u></u>



**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**13. NONCASH CONTRIBUTIONS**

The amounts reflected in the accompanying consolidated financial statements as contributions in-kind are summarized as follows:

	<u>2021</u>	<u>2020</u>
Contributed services:		
Cleaning services	\$ 7,810	\$ -
Immigration - legal	2,755	12,187
Professional services - legal and design	139,290	118,497
Professional services - medical & athletic training	65,000	141,510
Sculptures	51,500	-
	<u>\$ 266,355</u>	<u>\$ 272,194</u>

**14. COMMITMENTS AND CONTINGENCIES**

Operating Lease Obligations

Milwaukee Ballet leases warehouse space, two satellite facilities and equipment used by the Milwaukee Ballet School under operating leases which expire between October 2022 and September 2028. The leases require monthly payments ranging from \$240 to \$5,691. Milwaukee Ballet sublets a portion of the warehouse space on a month-to-month basis.

Total rental expense for 2021 and 2020 was \$182,288 and \$200,238, respectively. Rental income received under the sublease was approximately \$14,000 and \$15,000 for 2021 and 2020, respectively.

The following is a summary of the future minimum lease payments for the operating leases having initial or remaining non-cancelable terms in excess of one year:

2022	\$ 108,314
2023	106,345
2024	40,170
2025	40,713
2026	40,713
Thereafter	<u>128,923</u>
<b>TOTAL MINIMUM LEASE PAYMENTS</b>	<u><u>\$ 465,178</u></u>

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**15. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of July 31:

	<u>2021</u>	<u>2020</u>
Restricted as to time and purpose:		
Capital campaign	\$ 5,464,706	\$ 3,264,797
Educational programming	10,000	-
Software and training	112,000	-
Facility repairs and maintenance	509,950	509,950
Income earned on endowment funds	367,462	249,463
New works/sets/costumes	413,526	406,775
Time restriction	174,361	180,519
Total restricted as to time and purpose	<u>7,052,005</u>	<u>4,611,504</u>
Restricted in perpetuity:		
General endowment	346,086	346,086
Scholarship endowment	30,000	30,000
Total restricted in perpetuity	<u>376,086</u>	<u>376,086</u>
TOTAL	<u>\$ 7,428,091</u>	<u>\$ 4,987,590</u>

**16. RELATED PARTY TRANSACTIONS**

During 2021 and 2020, the Milwaukee Ballet received donations of approximately \$3,679,000 and \$310,000, respectively, from members of the board of directors and related entities in which the members serve in management roles. Donations received during 2021 and 2020 include capital campaign donations of approximately \$3,337,000 and \$32,000, respectively. Outstanding pledges receivable at July 31, 2021 and 2020 from members of the board of directors were approximately \$247,000 and \$383,000 respectively.

**17. UNCERTAINTY**

Beginning around March 2020, the Covid-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including the ability to retain funding and provide services across a broad range of organizations and geographical areas, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating it's options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

## **SUPPLEMENTARY INFORMATION**

**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF OPERATIONAL RESULTS (Unaudited)**

For the Years Ending July 31, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>SUPPORT AND REVENUE</b>		
United Performing Arts Fund	\$ 917,091	\$ 917,947
Contributions	957,545	1,362,362
Foundation grants & contributions	686,769	637,547
Subscription series performance	138,170	1,518,111
School tuition	1,584,320	1,073,650
Other support and revenue	1,845,221	947,105
	<hr/>	<hr/>
Total revenue and support	6,129,116	6,456,722
<b>EXPENSES</b>		
Program services	3,446,088	5,824,727
Supporting activities	723,666	836,438
	<hr/>	<hr/>
Total expenses	4,169,754	6,661,165
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION EXPENSE</b>	1,959,362	(204,443)
Depreciation expense	596,163	643,425
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS AFTER DEPRECIATION EXPENSE</b>	<u>\$ 1,363,199</u>	<u>\$ (847,868)</u>

## MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

### CONSOLIDATED SCHEDULE OF OPERATIONAL RESULTS (Unaudited)

For the Years Ending July 31, 2021 and 2020

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#### **Note to Consolidated Schedule of Operational Results (Unaudited)**

The COVID-19 pandemic forced our primary venue to cancel all live performances for the 20-21 season. The Milwaukee Ballet was fortunate to have a black-box theater which allowed the opportunity to perform for a smaller audience. Despite having four shows, ticketing revenue was significantly down from the 19-20 season. Milwaukee Ballet School and Academy had a successful year despite a required reduction in enrollment to accommodate health and safety protocols. The Academy was able to offer an expanded summer intensive program to include out of town students.

There were several items that resulted in the increase in other support and revenue year over year as a result of COVID relief at both the federal and state levels. Milwaukee Ballet applied for and received approximately \$138,000 in a state grant, State of Wisconsin Cultural Organization Grant. The Federal Government's Paycheck Protection Program grant of \$735,000 applied for and received in fiscal 19-20 was forgiven in fiscal 20-21 and is reflected in other revenue. A second Paycheck Protection Program grant of \$735,000 was applied for and received in fiscal 20-21, forgiveness will be applied for in fiscal 21-22. Milwaukee Ballet applied for and received the Employee Retention Tax Credit for quarter one of 2021 in the amount of \$335,000. The Shuttered Venue Operator's Grant was applied for and approximately \$1,000,000 was awarded. The grant is reflected in the Consolidated Statement of Financial Position as a refundable grant advance.

The former home of Milwaukee Ballet was sold in February resulting in a gain on sale of approximately \$467,000. Expenses relating to the capital campaign and interest on the construction loan of \$67,213 and \$279,152 are excluded from operational results for 2021 and 2020, respectively. Depreciation expense is down year over year due to the sale of the former center.