



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

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2022 and 2021



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MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Milwaukee Ballet Company, Inc. and Subsidiary (the Organization) as of July 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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
December 8, 2022

CONSOLIDATED FINANCIAL STATEMENTS

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of July 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,147,537	\$ 3,909,833
Miscellaneous receivables	7,235	2,763
Pledges receivable - current	1,691,214	1,180,033
Inventory	90,595	81,877
Prepaid expense and other assets	104,224	87,573
Total current assets	<u>6,040,805</u>	<u>5,262,079</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>16,705,311</u>	<u>17,204,444</u>
OTHER ASSETS		
Cash - capital projects	2,372,624	2,090,180
Pledges receivable - long term, net	509,551	622,796
Beneficial interest in assets held by the Greater Milwaukee Foundation	652,282	743,548
Total other assets	<u>3,534,457</u>	<u>3,456,524</u>
TOTAL ASSETS	<u><u>\$ 26,280,573</u></u>	<u><u>\$ 25,923,047</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 240,018	\$ 91,310
Accrued liabilities	379,329	348,725
Refundable grant advance	-	1,741,553
Deferred revenue	555,749	445,108
Capital leases payable - current	1,254	1,180
Notes payable	243,614	-
	<hr/>	<hr/>
Total current liabilities	1,419,964	2,627,876
LONG-TERM LIABILITIES		
Capital leases payable - long term	2,230	3,389
Line of credit - construction	-	1,052,214
	<hr/>	<hr/>
Total liabilities	1,422,194	3,683,479
NET ASSETS		
Without donor restrictions	17,433,626	14,811,477
With donor restrictions	7,424,753	7,428,091
	<hr/>	<hr/>
Total net assets	24,858,379	22,239,568
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,280,573</u>	<u>\$ 25,923,047</u>

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
United Performing Arts Fund	\$ 737,309	\$ 155,637	\$ 892,946
Contributions	1,337,615	138,952	1,476,567
Noncash contributions	211,156	-	211,156
Foundation grants and contributions	595,313	841,634	1,436,947
Paycheck Protection Program grant	735,000	-	735,000
Earned income credit grant	218,286	-	218,286
Shuttered Venue Operators Grant (SVOG)	1,006,553	-	1,006,553
Special events, net of costs of direct benefit to donors of \$9,315	110,607	30,000	140,607
Total support	4,951,839	1,166,223	6,118,062
Subscription series performance	1,874,441	-	1,874,441
School tuition	1,640,399	-	1,640,399
Outreach	15,053	-	15,053
Rental and other revenue	91,008	-	91,008
Investment return	5,150	-	5,150
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	(79,041)	(79,041)
Retail	64,990	-	64,990
Less: Cost of sales	(25,838)	-	(25,838)
Net retail	39,152	-	39,152
Total revenue	3,665,203	(79,041)	3,586,162
Net assets released from restrictions	1,090,520	(1,090,520)	-
Total support and revenue	9,707,562	(3,338)	9,704,224

(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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services			
Ballet performances	\$ 4,027,980	\$ -	\$ 4,027,980
Ballet school and academy	1,585,449	-	1,585,449
Community engagement and education	570,782	-	570,782
Total program services	6,184,211	-	6,184,211
Supporting activities			
Management and general	643,046	-	643,046
Fundraising	258,156	-	258,156
Total supporting activities	901,202	-	901,202
Total expenses	7,085,413	-	7,085,413
CHANGE IN NET ASSETS	2,622,149	(3,338)	2,618,811
NET ASSETS - BEGINNING OF YEAR	14,811,477	7,428,091	22,239,568
NET ASSETS - END OF YEAR	\$ 17,433,626	\$ 7,424,753	\$ 24,858,379

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
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
Total support	<u>3,700,837</u>	<u>3,714,760</u>	<u>7,415,597</u>
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)
Net retail	<u>10,574</u>	<u>-</u>	<u>10,574</u>
Total revenue	<u>2,230,777</u>	<u>129,817</u>	<u>2,360,594</u>
Net assets released from restrictions	1,404,076	(1,404,076)	-
Total support and revenue	<u>7,335,690</u>	<u>2,440,501</u>	<u>9,776,191</u>

(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

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
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	<u>4,023,541</u>	<u>-</u>	<u>4,023,541</u>
Supporting activities			
Management and general	640,155	-	640,155
Fundraising	169,434	-	169,434
Total supporting activities	<u>809,589</u>	<u>-</u>	<u>809,589</u>
Total expenses	<u>4,833,130</u>	<u>-</u>	<u>4,833,130</u>
CHANGE IN NET ASSETS	2,502,560	2,440,501	4,943,061
NET ASSETS - BEGINNING OF YEAR	<u>12,308,917</u>	<u>4,987,590</u>	<u>17,296,507</u>
NET ASSETS - END OF YEAR	<u>\$ 14,811,477</u>	<u>\$ 7,428,091</u>	<u>\$ 22,239,568</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, 2022

	Ballet Performances	Ballet School and Academy	Community Engagement and Education	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Cost of Sales	2022 Total
Salaries and wages	\$ 2,141,055	\$ 893,412	\$ 283,500	\$ 3,317,967	\$ 239,957	\$ 215,705	\$ -	\$ -	\$ 3,773,629
Contracted services	358,820	20,380	78,195	457,395	80,100	12,395	-	-	549,890
Contracted services- choreography	50,041	750	4,800	55,591	-	-	-	-	55,591
Rental expense	305,382	154,341	22,228	481,951	2,713	2,208	-	-	486,872
Royalty	27,034	-	373	27,407	-	-	-	-	27,407
Credit card service charges	66,221	53,166	-	119,387	-	5,344	-	-	124,731
Printing and postage	1,672	6,017	176	7,865	3,528	1,600	-	-	12,993
Material and supplies	70,248	11,798	3,428	85,474	10,062	3,866	-	25,838	125,240
Travel	43,209	15,377	1,099	59,685	339	46	-	-	60,070
Lodging-dorm	-	109,920	-	109,920	-	-	-	-	109,920
Telephone	6,014	4,257	-	10,271	8,028	-	-	-	18,299
Professional fees	-	11,353	-	11,353	141,298	1,291	-	-	153,942
Professional fees- gift in kind	147,488	-	-	147,488	55,668	-	-	-	203,156
Meals and entertainment	3,285	1,116	1,955	6,356	169	-	9,135	-	15,660
Miscellaneous	71,326	24,362	29,595	125,283	3,680	150	-	-	129,113
Occupancy	120,820	61,361	28,140	210,321	5,913	1,143	-	-	217,377
Costumes and shoes	25,884	8,767	30,355	65,006	-	-	-	-	65,006
Depreciation	363,835	134,222	75,990	574,047	10,763	8,312	-	-	593,122
Insurance	2,618	-	-	2,618	47,965	-	-	-	50,583
Advertising and promotions	223,028	74,850	10,948	308,826	7,712	6,096	-	-	322,634
Interest	-	-	-	-	17,787	-	-	-	17,787
Bad debt	-	-	-	-	7,364	-	-	-	7,364
	\$ 4,027,980	\$ 1,585,449	\$ 570,782	\$ 6,184,211	\$ 643,046	\$ 258,156	\$ 9,135	\$ 25,838	\$ 7,120,386

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

	Ballet	Ballet School	Community	Total Program	Management	Cost of Direct	Benefit to	Cost of Sales	Total
	Performances	and Academy	Engagement	Services	and General	Fundraising	Donors		
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
Materials 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
Interest	-	-	-	-	69,687	-	-	-	69,687
Insurance	2,455	-	-	2,455	60,899	4,130	-	-	67,484
Advertising and promotion	25,935	2,412	-	28,347	-	-	-	-	28,347
Bad debt	-	-	-	-	13,179	-	-	-	13,179
	\$ 2,325,822	\$ 1,387,756	\$ 309,963	\$ 4,023,541	\$ 640,155	\$ 169,434	\$ -	\$ 4,207	\$ 4,837,337

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,618,811	\$ 4,943,061
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	593,122	596,163
Gain on sale of property and equipment	-	(467,067)
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	79,041	(129,817)
Contributions restricted for long-term purposes	(333,333)	(3,250)
Bad debt expense	7,364	13,179
Decrease (increase) in:		
Miscellaneous receivables	(4,472)	15,932
Pledges receivable	(885,317)	215,028
Inventory	(8,718)	10,062
Prepaid expenses and other assets	(16,651)	(8,940)
Increase (decrease) in:		
Accounts payable	148,708	(8,612)
Accrued liabilities	30,604	87,579
Deferred revenue	110,641	30,166
Refundable grant advance	(1,741,553)	1,006,553
Net cash from operating activities	<u>598,247</u>	<u>6,300,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(93,989)	(88,748)
Proceeds from sale of property and equipment	-	622,957
Distributions from the Greater Milwaukee Foundation	12,225	11,818
Net cash from investing activities	<u>(81,764)</u>	<u>546,027</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases payable	\$ (1,085)	\$ (1,674)
Payments on line of credit - construction	(808,600)	(4,847,500)
Proceeds from contributions restricted for long term purposes	813,350	1,205,682
Net cash from financing activities	<u>3,665</u>	<u>(3,643,492)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	520,148	3,202,572
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>6,000,013</u>	<u>2,797,441</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 6,520,161</u></u>	<u><u>\$ 6,000,013</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash	\$ 4,147,537	\$ 3,909,833
Cash - capital projects	<u>2,372,624</u>	<u>2,090,180</u>
	<u><u>\$ 6,520,161</u></u>	<u><u>\$ 6,000,013</u></u>
Cash paid for interest	<u>\$ 19,178</u>	<u>\$ 76,514</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Refinance of the construction line of credit to the promissory note	<u>\$ -</u>	<u>\$ 1,192,214</u>
Paycheck Protection Program Forgiveness	<u><u>\$ 735,000</u></u>	<u><u>\$ 735,000</u></u>

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2022 and 2021

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 30,000 audience members annually (unaudited). 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)

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, 2022 or 2021.

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 consolidated 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 consolidated 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)

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

Cash

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 at two financial institutions which, at times, may exceed federally insured limits. At July 31, 2022 and 2021, the balance of the deposits exceeded FDIC limits by approximately \$6,261,000 and \$5,665,700, respectively. The Milwaukee Ballet has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

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 due in less than one year are recorded at their net realizable value. Pledges receivable due 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 a labor agreement with the American Guild of Musical Artists which expires June 30, 2023. The labor agreement with American Federation of Musicians expired June 2022 and is in negotiations. The agreement 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)

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. 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 statements 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.

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 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.

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

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

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 \$68,478 and \$79,180, as of July 31, 2022 and 2021, 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.

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.

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

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

Revenue from Contracts with Customers (Continued)

Disaggregation of Revenue from Contracts with Customers

	<u>2022</u>	<u>2021</u>
Point in time recognition:		
Subscription series performance	\$ 1,874,441	138,170
Retail	64,990	14,781
School tuition - over time recognition	1,640,399	1,584,320
TOTAL	<u>\$ 3,579,830</u>	<u>\$ 1,737,271</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, 2022, 2021 or 2020. Contract liabilities were as follows as of July 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred revenue	\$ 555,749	\$ 445,108	414,942

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 expense is directly charged to the program that utilizes it, for example sets and costumes. Property and equipment utilized by numerous programs is allocated based on square footage.

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

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 2022 and 2021.

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, 2022 and 2021 were \$39,625 and \$23,846, 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.

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, 2022 and 2021, \$3,950 and \$0, respectively, of capitalized advertising costs are included in prepaid expenses.

Advertising Cost

Advertising expense for the years ended July 31, 2022 and 2021 was \$249,543 and \$7,149, 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).

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

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.

Recently Adopted Accounting Pronouncements

In September 2020, FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The Milwaukee Ballet adopted this standard during 2022. The ASU has been applied retrospectively to all periods presented, with no effect on net assets. The adoption of this new accounting pronouncement did not have a material impact on the financial statements.

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 December 8, 2022, 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.

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

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>2022</u>	<u>2021</u>
Cash	\$ 6,520,161	\$ 6,000,013
Miscellaneous receivables	7,235	2,763
Pledges receivable	2,200,765	1,802,829
Beneficial interest in assets held by the Greater Milwaukee Foundation	652,282	743,548
Total financial assets and liquid resources	9,380,443	8,549,153
Less donor imposed restrictions	(7,424,753)	(7,428,091)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,955,690</u>	<u>\$ 1,121,062</u>

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

Unconditional pledges receivable at July 31 are as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 1,691,214	\$ 1,180,033
One to five years	557,167	683,000
Total pledges receivable	2,248,381	1,863,033
Less: Adjustment to present value for future cash flows from pledges receivable	(47,616)	(60,204)
PLEDGES RECEIVABLE, NET	<u>\$ 2,200,765</u>	<u>\$ 1,802,829</u>

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

3. PLEDGES RECEIVABLE (Continued)

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, 2022 and 2021. 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, 2022 and 2021.

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 at which time a portion of the promise was recognized. The remaining promise to give is conditional upon the Milwaukee Ballet paying the construction note in full. As of July 31, 2022 and 2021, these conditional promises totaled approximately \$6,700,000. These pledges will be recognized as revenue when the respective conditions are met, which is expected in fiscal year 2023.

5. PROPERTY, PLANT AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,659,226	\$ 2,659,226
Building	13,658,768	13,658,768
Leasehold improvements	94,208	94,208
Production equipment	3,461,633	3,461,633
Dance equipment	399,467	399,467
Furniture and fixtures	1,156,980	1,143,333
Construction in progress	84,220	3,875
	<u>21,514,502</u>	<u>21,420,510</u>
Less: Accumulated depreciation	4,809,191	4,216,066
PROPERTY, PLANT AND EQUIPMENT, NET	<u><u>\$ 16,705,311</u></u>	<u><u>\$ 17,204,444</u></u>

Depreciation expense was \$593,122 and \$596,163 for the years ended July 31, 2022 and 2021, 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, 2022 and 2021.

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.

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, 2022 and 2021.

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

7. FAIR VALUE MEASUREMENTS (Continued)

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, 2022 and 2021.

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:

	2022			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 652,282	\$ -	\$ 652,282
TOTAL ASSETS AT FAIR VALUE	\$ -	\$ 652,282	\$ -	\$ 652,282
	2021			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 743,548	\$ -	\$ 743,548
TOTAL ASSETS AT FAIR VALUE	\$ -	\$ 743,548	\$ -	\$ 743,548

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.

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.

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

8. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended July 31, 2022 are as follows:

	<u>With Donor Restrictions</u>		
	<u>Restricted for Time or Purpose</u>	<u>Donor Restricted Corpus</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 367,462	\$ 376,086	\$ 743,548
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	(79,041)	-	(79,041)
Amounts appropriated for expenditure	(12,225)	-	(12,225)
ENDOWMENT ASSETS, END OF YEAR	\$ 276,196	\$ 376,086	\$ 652,282

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

	<u>With Donor Restrictions</u>		
	<u>Restricted for Time or Purpose</u>	<u>Donor Restricted 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)
ENDOWMENT ASSETS, END OF YEAR	\$ 367,462	\$ 376,086	\$ 743,548

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.

8. ENDOWMENT (Continued)

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, 2022 and 2021.

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. 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.

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 July 31, 2022, 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)

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. As of July 31, 2022, the Milwaukee Ballet incurred the qualifying expenditures and therefore, has recognized the full amount as grant revenue on the consolidated statements of activities.

10. REVOLVING CONSTRUCTION AGREEMENT AND NOTE PAYABLE

Milwaukee Ballet entered into a revolving agreement with a financial institution in the amount of \$10,000,000 for the construction of a building, which converted into a term loan on July 5, 2021.

Terms of the term note agreement calls for interest only payments at the Prime Rate (4.75% and 3.25% as of July 31, 2022 and 2021, respectively) 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 \$243,614 and \$1,052,214 was outstanding as of July 31, 2022 and 2021, respectively.

The Milwaukee Ballet is required to meet various financial and non-financial covenants. As of July 31, 2022 and 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 (4.75% as of July 31, 2022) 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, 2022.

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

12. CAPITAL LEASE OBLIGATIONS

The Milwaukee Ballet has entered into a capital lease agreement for equipment that expires November 2024. The agreement requires monthly payments of \$117, including principal and interest of 6.121%. The cost, accumulated amortization and net book value of equipment under the capital leases were as follows at July 31:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 6,301	\$ 18,196
Less: Accumulated amortization	3,656	14,332
TOTAL	<u>\$ 2,645</u>	<u>\$ 3,864</u>

Amortization of capitalized lease assets included in depreciation expense was \$1,219 and \$1,602 in 2022 and 2021, 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:

2023	\$ 1,406
2024	1,406
2025	<u>903</u>
Total minimum lease payments	3,715
Less: Amount representing interest	<u>231</u>
Present value of net minimum lease payments	3,484
Amount due currently	<u>1,254</u>
AMOUNT DUE AFTER ONE YEAR	<u><u>\$ 2,230</u></u>

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

13. NONCASH CONTRIBUTIONS

The Organization received the following contributions of nonfinancial assets for the year ended July 31:

	<u>2022</u>	<u>2021</u>
Contributed services:		
Cleaning services	\$ 8,000	\$ 7,810
Immigration - legal	22,293	2,755
Professional services - legal and design	55,668	139,290
Professional services - medical & athletic training	115,520	65,000
Psychological services	9,675	-
Sculptures	-	51,500
	<u>\$ 211,156</u>	<u>\$ 266,355</u>

The Organization receives contributed services without donor restrictions in the form of legal services, physical therapy, and psychological services. The contributed services are monetized and reported using the billing rates and hours as provided by the individuals and third-party organizations providing those services. Medical and athletic training, psychological services and legal fees incurred for immigration matters are utilized in the Milwaukee Ballet's program services. Other legal and design services are utilized in the management and general function.

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 \$159 to \$5,691. Milwaukee Ballet sublets a portion of the warehouse space on a month-to-month basis.

Total rental expense for 2022 and 2021 was \$190,886 and \$182,288, respectively. Rental income received under the sublease was approximately \$15,000 and \$14,000 for 2022 and 2021, 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:

2023	\$ 174,791
2024	86,437
2025	42,622
2026	42,622
2027	41,747
Thereafter	6,785
TOTAL MINIMUM LEASE PAYMENTS	<u>\$ 395,004</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>2022</u>	<u>2021</u>
Restricted as to time and purpose:		
Capital campaign	\$ 4,667,519	\$ 5,464,706
Educational programming	14,500	10,000
Software and training	54,000	112,000
Facility repairs and maintenance	509,950	509,950
Income earned on endowment funds	276,196	367,462
New works/sets/costumes	925,526	413,526
Time restriction	600,977	174,361
Total restricted as to time and purpose	<u>7,048,668</u>	<u>7,052,005</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>\$ 7,424,754</u>	<u>\$ 7,428,091</u>

16. RELATED PARTY TRANSACTIONS

During 2022 and 2021, the Milwaukee Ballet received donations of approximately \$291,000 and \$3,679,000, respectively, from members of the board of directors and related entities in which the members serve in management roles. Donations received during 2022 and 2021 include capital campaign donations of approximately \$0 and \$3,337,000, respectively. Outstanding pledges receivable at July 31, 2022 and 2021 from members of the board of directors were approximately \$96,000 and \$247,000 respectively.

SUPPLEMENTARY INFORMATION

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF OPERATIONAL RESULTS (Unaudited)

For the Years Ending July 31, 2022 and 2021

	2022	2021
SUPPORT AND REVENUE		
United Performing Arts Fund	\$ 853,389	\$ 917,091
Contributions	1,494,615	957,545
Foundation grants & contributions	601,653	686,769
Special events	110,607	-
Subscription series performance	1,874,441	138,170
School tuition	1,640,399	1,584,320
Other support and revenue	2,321,358	1,845,221
Total revenue and support	<u>8,896,462</u>	<u>6,129,116</u>
EXPENSES		
Program services	5,610,161	3,446,088
Supporting activities	863,827	723,666
Total expenses	<u>6,473,988</u>	<u>4,169,754</u>
CHANGE IN NET ASSETS BEFORE DEPRECIATION EXPENSE	2,422,474	1,959,362
Depreciation expense	593,122	596,163
CHANGE IN NET ASSETS AFTER DEPRECIATION EXPENSE	<u>\$ 1,829,352</u>	<u>\$ 1,363,199</u>

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

NOTE TO CONSOLIDATED SCHEDULE OF OPERATIONAL RESULTS (Unaudited)

For the Years Ending July 31, 2022 and 2021

Note to Consolidated Schedule of Operational Results (Unaudited)

Fiscal 2021-2022 was the Milwaukee Ballet's post pandemic return to the stage in front of a full audience. The season included three triple-bills, including one performed in our in-house black-box theater, as well as two full-length story ballets: the Nutcracker and Beauty and the Beast. The Nutcracker was especially popular with revenues exceeding pre-pandemic levels. The message was that patrons were ready to return to the theater. The school did well, with revenues up, particularly due to the summer intensive program and an increase in out-of-town student enrollment. Contributed revenue was up due to a large donor bequest from a long-time friend and donor of the ballet. The Covid-19 pandemic prevented the ballet from holding its largest fundraiser, The Ballet Ball, for the second year in a row. A smaller event, the Rose Soiree, was held during opening night of the Beauty and the Beast production and was a successful way to end the season.

Covid-19 relief funding is reflected in the fiscal year ending July 31, 2022 as other support and revenue. The second Federal Government's Paycheck Protection Program of \$735,000 that was applied for in fiscal year 2021 and is reflected in other revenue. Milwaukee Ballet applied for and received another quarterly Employee Retention Tax Credit of \$218,000 in fiscal 2022. The Shuttered Venue Operator's Grant of \$1,000,000 that was applied for and awarded in fiscal 2021 was recognized as other revenue to offset qualifying expenses. This grant was subject to an audit in accordance with the Uniform Guidance, the results of which are included in the report.

Expenses relating to the capital campaign and interest on the construction loan of \$18,304 and \$67,213 and are excluded from operations results for 2022 and 2021, respectively.