



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

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2019 and 2018



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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

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, 2019 and 2018, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used 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, 2019 and 2018, 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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the entity adopted the new accounting guidance as issued by the Financial Accounting Standards Board under Financial Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

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 financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Sikich LLP

Brookfield, Wisconsin
November 5, 2019

CONSOLIDATED FINANCIAL STATEMENTS

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of July 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 543,778	\$ 726,687
Miscellaneous receivables	28,055	27,449
Pledges receivable - current	2,576,923	2,229,806
Inventory	71,118	71,058
Prepaid expense and other assets	178,012	195,388
Total current assets	<u>3,397,886</u>	<u>3,250,388</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>18,100,869</u>	<u>5,802,413</u>
OTHER ASSETS		
Cash - capital projects	986,529	492,620
Pledges receivable - long term, net	2,589,203	3,019,168
Beneficial interest in assets held by the Greater Milwaukee Foundation	588,056	589,349
Total other assets	<u>4,163,788</u>	<u>4,101,137</u>
TOTAL ASSETS	<u><u>\$ 25,662,543</u></u>	<u><u>\$ 13,153,938</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, 2019 and 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,555,442	\$ 1,762,966
Accrued liabilities	230,607	218,290
Deferred revenue	553,961	589,237
Capital leases payable - current	3,526	2,392
Total current liabilities	<u>2,343,536</u>	<u>2,572,885</u>
LONG-TERM LIABILITIES		
Capital leases payable - long term	6,052	3,266
Line of credit	5,794,346	-
Total liabilities	<u>8,143,934</u>	<u>2,576,151</u>
NET ASSETS		
Without donor restrictions	10,986,144	4,293,593
With donor restrictions	6,532,465	6,284,194
Total net assets	<u>17,518,609</u>	<u>10,577,787</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 25,662,543</u></u>	<u><u>\$ 13,153,938</u></u>

See accompanying notes to consolidated financial statements.

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

For the Year Ended July 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
United Performing Arts Fund	\$ 723,672	\$ 293,940	\$ 1,017,612
Contributions	710,814	2,327,777	3,038,591
Noncash contributions	256,312	-	256,312
Foundation grants and contributions	509,925	5,055,377	5,565,302
Special events, net of costs of direct benefit to donors of \$59,034	499,323	-	499,323
Total support	2,700,046	7,677,094	10,377,140
Subscription series performance	2,193,932	-	2,193,932
School tuition	1,611,175	-	1,611,175
Outreach	33,059	-	33,059
Rental and other revenue	33,903	-	33,903
Investment return	4,862	-	4,862
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	16,379	16,379
Retail	92,262	-	92,262
Less: cost of sales	(56,293)	-	(56,293)
Net retail	35,969	-	35,969
Total revenue	3,912,900	16,379	3,929,279
Net assets released from restrictions	7,445,202	(7,445,202)	-
Total support and revenue	14,058,148	248,271	14,306,419

(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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services			
Ballet performances	\$ 4,338,549	\$ -	\$ 4,338,549
Ballet school and academy	1,521,749	-	1,521,749
Community engagement and education	545,423	-	545,423
Total program services	<u>6,405,721</u>	<u>-</u>	<u>6,405,721</u>
Supporting activities			
Management and general	505,931	-	505,931
Fundraising	453,945	-	453,945
Total supporting activities	<u>959,876</u>	<u>-</u>	<u>959,876</u>
Total expenses	<u>7,365,597</u>	<u>-</u>	<u>7,365,597</u>
CHANGE IN NET ASSETS	6,692,551	248,271	6,940,822
NET ASSETS - BEGINNING OF YEAR	<u>4,293,593</u>	<u>6,284,194</u>	<u>10,577,787</u>
NET ASSETS - END OF YEAR	<u>\$ 10,986,144</u>	<u>\$ 6,532,465</u>	<u>\$ 17,518,609</u>

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
United Performing Arts Fund	\$ 755,161	\$ 143,940	\$ 899,101
Contributions	796,590	5,847,970	6,644,560
Noncash contributions	409,463	-	409,463
Foundation grants and contributions	452,795	683,366	1,136,161
Special events, net of costs of direct benefit to donors of \$55,555	407,346	-	407,346
Total support	2,821,355	6,675,276	9,496,631
Subscription series performance	2,567,882	-	2,567,882
School tuition	1,615,569	-	1,615,569
Outreach	21,939	-	21,939
Rental and other revenue	37,190	-	37,190
Investment return	6,941	-	6,941
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	41,038	41,038
Retail	101,965	-	101,965
Less: cost of sales	(66,433)	-	(66,433)
Net retail	35,532	-	35,532
Total revenue	4,285,053	41,038	4,326,091
Net assets released from restrictions	3,809,964	(3,809,964)	-
Total support and revenue	10,916,372	2,906,350	13,822,722

(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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services			
Ballet performances	\$ 4,391,776	\$ -	\$ 4,391,776
Ballet school and academy	1,419,644	-	1,419,644
Community engagement and education	485,600	-	485,600
Total program services	6,297,020	-	6,297,020
Supporting activities			
Management and general	438,125	-	438,125
Fundraising	656,944	-	656,944
Total supporting activities	1,095,069	-	1,095,069
Total expenses	7,392,089	-	7,392,089
CHANGE IN NET ASSETS	3,524,283	2,906,350	6,430,633
NET ASSETS - BEGINNING OF YEAR	769,310	3,377,844	4,147,154
NET ASSETS - END OF YEAR	\$ 4,293,593	\$ 6,284,194	\$ 10,577,787

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2019

	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	Total	2018 Total
Salaries and wages	\$ 2,333,954	\$ 975,824	\$ 307,178	\$ 3,616,956	\$ 198,872	\$ 278,283	\$ -	\$ -	\$ 4,094,111	\$ 4,007,558
Contracted services	446,237	44,906	72,959	564,102	57,342	25,722	-	-	647,166	579,808
Contracted choreography services	69,500	-	10,900	80,400	-	-	-	-	80,400	30,053
Rental expense	417,344	180,412	24,537	622,293	12,259	23,015	-	-	657,567	621,529
Royalty	46,168	-	-	46,168	-	-	-	-	46,168	30,100
Credit card service charges	61,441	50,906	124	112,471	12	18,793	-	-	131,276	142,307
Printing and postage	1,932	4,683	11,025	17,640	9,280	8,976	-	-	35,896	35,987
Materials and supplies	56,763	8,915	2,261	67,939	14,562	5,104	-	56,293	143,898	158,862
Travel	60,980	31,970	15,475	108,425	2,969	1,081	-	-	112,475	71,691
Lodging dorm	-	79,613	-	79,613	-	-	-	-	79,613	100,068
Telephone	1,794	1,912	1,429	5,135	16,088	-	-	-	21,223	20,832
Professional fees	148,566	5,653	283	154,502	142,794	71,838	-	-	369,134	705,962
Meals and entertainment	7,295	1,603	10,677	19,575	4,191	11,506	59,034	-	94,306	95,024
Miscellaneous	8,566	6,899	35,524	50,989	8,785	4,001	-	-	63,775	41,817
Occupancy	61,725	13,867	237	75,829	6,275	-	-	-	82,104	99,409
Costumes and shoes	33,543	5,118	29,309	67,970	-	-	-	-	67,970	74,168
Depreciation	182,863	23,461	5,858	212,182	1,075	1,740	-	-	214,997	223,667
Insurance	2,003	-	-	2,003	30,997	-	-	-	33,000	34,011
Advertising and promotion	397,875	86,007	17,647	501,529	430	3,886	-	-	505,845	441,224
	<u>\$ 4,338,549</u>	<u>\$ 1,521,749</u>	<u>\$ 545,423</u>	<u>\$ 6,405,721</u>	<u>\$ 505,931</u>	<u>\$ 453,945</u>	<u>\$ 59,034</u>	<u>\$ 56,293</u>	<u>\$ 7,480,924</u>	<u>\$ 7,514,077</u>

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,940,822	\$ 6,430,633
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	214,997	223,667
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	(16,379)	(41,044)
Contributions restricted for long-term purposes	(1,769,000)	(5,808,252)
Decrease (increase) in:		
Miscellaneous receivables	(606)	(12,664)
Pledges receivable	85,866	272,157
Inventory	(60)	13,651
Prepaid expenses and other assets	17,376	(33,665)
Increase (decrease) in:		
Accounts payable	(1,282,519)	(118,703)
Accrued liabilities	12,317	2,374
Deferred revenue	(35,276)	(49,693)
Net cash from operating activities	<u>4,167,538</u>	<u>878,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,637,811)	(3,224,527)
Distributions from the Greater Milwaukee Foundation	17,672	11,247
Net cash from investing activities	<u>(5,620,139)</u>	<u>(3,213,280)</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases payable	\$ (2,381)	\$ (2,222)
Draws on line of credit	-	1,910,000
Payments on line of credit	-	(1,910,000)
Proceeds from contributions restricted for long term purposes	1,765,982	1,384,672
Net cash from financing activities	<u>1,763,601</u>	<u>1,382,450</u>
NET (DECREASE) INCREASE IN CASH	311,000	(952,369)
CASH, BEGINNING OF YEAR	<u>1,219,307</u>	<u>2,171,676</u>
CASH, END OF YEAR	<u><u>\$ 1,530,307</u></u>	<u><u>\$ 1,219,307</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash	\$ 543,778	\$ 726,687
Cash - capital projects	986,529	492,620
	<u>\$ 1,530,307</u>	<u>\$ 1,219,307</u>
Cash paid for interest	<u>\$ 331</u>	<u>\$ 1,168</u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property through accounts payable, line of credit and capital lease financing	<u>\$ 6,875,642</u>	<u>\$ 1,600,144</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, 2019 and 2018

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)

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, 2019 or 2018.

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.

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 two and three financial institutions, respectively, which, at times, may exceed federally insured limits. At July 31, 2019 and 2018, the balance of the deposits exceeded FDIC limits by approximately \$1,287,400 and \$852,700, respectively.

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 expires June 30, 2020 and the American Guild of Musical Artists which expires June 30, 2021. 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. 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	10-25
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

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Special events received for the next fiscal year are deferred and recognized as income in the period of the related event.

Revenues from advanced ticket sales and from subscription series performances are deferred and recognized as operating revenues in the fiscal year in which the related performances have occurred.

Revenues from tuition are reported in the fiscal year in which the programs are conducted. Tuition billed in the current fiscal year for future years' programs are reported as deferred revenues.

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.

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

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 year 2019 and 2018.

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, 2019 and 2018 were \$39,868 and \$46,284, 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.

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, 2019 and 2018, \$47,304 and \$46,976, respectively, of capitalized advertising costs are included in prepaid expenses.

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

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

Advertising Cost

Advertising expense for the year ended July 31, 2019 and 2018 was \$264,849 and \$275,773, 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 August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations or restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Milwaukee Ballet has adopted ASU No. 2016-14, and has applied the changes retrospectively to all periods presented except for the disclosures around liquidity and availability of resources and the analysis of functional expenses. These disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

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

New Accounting Pronouncements (Continued)

FASB has issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of the contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Milwaukee Ballet is currently assessing the impact of this standard.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, “Revenue from Contracts with Customers,” as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Milwaukee Ballet is currently assessing the impact of this new standard.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), 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 is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. 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.

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

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

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 5, 2019, 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 balance sheet date, comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$ 1,530,307
Miscellaneous receivables	28,055
Pledge receivable	5,166,126
Beneficial interest in assets held by the Greater Milwaukee Foundation	<u>588,056</u>
Total financial assets and liquid resources	7,312,544
Less donor imposed restrictions	<u>(6,532,465)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 780,079</u></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.

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

3. PLEDGES RECEIVABLE, NET

Unconditional pledges receivable at July 31 are as follows:

	2019	2018
Less than one year	\$ 2,576,923	\$ 2,229,806
One to five years	2,876,392	3,349,580
Total pledges receivable	5,453,315	5,579,386
Less: Adjustment to present value for future cash flows from pledges receivable	(287,189)	(330,412)
Pledges receivable, net	<u>\$ 5,166,126</u>	<u>\$ 5,248,974</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, 2019 and 2018.

4. CONDITIONAL PROMISES TO GIVE

The Milwaukee Ballet has several 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. As of July 31, 2019, these conditional promises totaled approximately \$10,400,000. These pledges will be recognized as revenue when the respective conditions are met in future years.

5. PROPERTY, PLANT AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	2019	2018
Land	\$ 2,659,226	\$ 2,677,426
Building	945,940	927,740
Leasehold improvements	94,208	94,208
Production equipment	3,355,669	3,460,579
Dance equipment	128,587	93,525
Furniture and fixtures	501,097	490,091
Construction in progress	14,351,367	1,993,955
	<u>22,036,094</u>	<u>9,737,524</u>
Less: Accumulated depreciation	3,935,225	3,935,111
PROPERTY, PLANT AND EQUIPMENT, NET	<u>\$ 18,100,869</u>	<u>\$ 5,802,413</u>

Depreciation expense was \$214,997 and \$223,667 for the years ended July 31, 2019 and 2018, 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. Distributions for the years ended July 31, 2019 and 2018 of \$0 and \$5,000 are recorded in the consolidated statements of activities as contributions.

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: Quotes 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, 2019 and 2018.

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, 2019 and 2018.

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:

	2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ -	\$ 588,056	\$ 588,056
TOTAL ASSETS AT FAIR VALUE	\$ -	\$ -	\$ 588,056	\$ 588,056
	2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ -	\$ 589,349	\$ 589,349
TOTAL ASSETS AT FAIR VALUE	\$ -	\$ -	\$ 589,349	\$ 589,349

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.

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

7. FAIR VALUE MEASUREMENTS (Continued)

The activity for the interest in assets held by the Greater Milwaukee Foundation, which is measured at fair value on a recurring basis using significant unobservable inputs (level 3 inputs), is as follows:

	<u>2019</u>	<u>2018</u>
BALANCE, BEGINNING OF YEAR	\$ 589,349	\$ 559,552
Distributions from Greater Milwaukee Foundation	(17,672)	(11,247)
Change in interest in assets held by the Greater Milwaukee Foundation	16,379	41,044
BALANCE, END OF YEAR	<u>\$ 588,056</u>	<u>\$ 589,349</u>

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, 2019 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	\$ 213,263	\$ 376,086	\$ 589,349
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	16,378	-	16,378
Amounts appropriated for expenditure	(17,671)	-	(17,671)
ENDOWMENT ASSETS, END OF YEAR	<u>\$ 211,970</u>	<u>\$ 376,086</u>	<u>\$ 588,056</u>

Changes in endowment net assets for the year ended July 31, 2018 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	\$ 183,466	\$ 376,086	\$ 559,552
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	41,044	-	41,044
Amounts appropriated for expenditure	(11,247)	-	(11,247)
ENDOWMENT ASSETS, END OF YEAR	<u>\$ 213,263</u>	<u>\$ 376,086</u>	<u>\$ 589,349</u>

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, 2019 and 2018.

9. 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 revolving credit agreement will remain open until July 5, 2021 at which time the unpaid balance will convert to a term loan. The agreement calls for interest only payments of LIBOR (2.22% as of July 31, 2019) plus 1.85% until July 5, 2021 when the outstanding note balance will convert to a term note with monthly principal and interest payments. The agreement is secured by the outstanding pledge agreements and assets, excluding real estate, of the Milwaukee Ballet. A balance of \$5,794,346 was outstanding as of July 31, 2019.

The Milwaukee Ballet is required to meet various financial and non-financial covenants. As of July 31, 2019, the Milwaukee Ballet was in compliance with these covenants.

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

10. 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>2019</u>	<u>2018</u>
Equipment	\$ 18,196	\$ 11,895
Less: Accumulated amortization	9,209	6,907
TOTAL	<u>\$ 8,987</u>	<u>\$ 4,988</u>

Amortization of capitalized lease assets included in depreciation expense was \$2,302 in 2019 and 2018, 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:

2020	\$ 4,118
2021	2,084
2022	1,406
2023	1,406
2024	1,406
Thereafter	<u>469</u>
Total minimum lease payments	10,889
Less: Amount representing interest	<u>1,311</u>
Present value of net minimum lease payments	9,578
Amount due currently	<u>3,526</u>
AMOUNT DUE AFTER ONE YEAR	<u><u>\$ 6,052</u></u>

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

11. NONCASH CONTRIBUTIONS

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

	<u>2019</u>	<u>2018</u>
Contributed services:		
Immigration - legal	\$ 22,556	\$ 8,683
Psychotherapy	-	7,200
Professional services - legal and design	107,746	276,376
Professional services - medical & athletic training	126,010	117,204
	<u>\$ 256,312</u>	<u>\$ 409,463</u>

12. COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

Milwaukee Ballet leases warehouse space, three 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 \$5,592. Milwaukee Ballet sublets a portion of the warehouse space on a month-to-month basis.

Total rental expense for 2019 and 2018 was \$189,694 and \$175,698, respectively. Rental income received under the sublease was approximately \$16,000 and \$15,000 for 2019 and 2018, 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:

2020	\$ 126,103
2021	111,013
2022	108,314
2023	109,059
2024	40,713
Thereafter	<u>210,348</u>
TOTAL MINIMUM LEASE PAYMENTS	<u><u>\$ 705,550</u></u>

Construction Commitment

During 2018, the Milwaukee Ballet entered into an agreement for the construction of a new building for a total amount of approximately \$13,446,500. As of July 31, 2019, the estimated costs and outstanding commitments of the construction commitment are approximately \$52,000.

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

13. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Restricted as to time and purpose:		
Capital campaign	\$ 4,936,512	\$ 3,171,709
Educational programming	35,000	150
Future year performances	151,039	190,619
Facility repairs and maintenance	509,950	509,950
Income earned on endowment funds	211,970	213,263
New works/sets/costumes	86,088	86,088
Time restriction	225,820	1,736,329
Total restricted as to time and purpose	<u>6,156,379</u>	<u>5,908,108</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>\$ 6,532,465</u>	<u>\$ 6,284,194</u>

14. RELATED PARTY TRANSACTIONS

During 2019 and 2018, the Milwaukee Ballet received donations of approximately \$358,000 and \$1,482,000, respectively, from members of the board of directors and related entities in which the members serve in management roles. Donations received during 2019 and 2018 include capital campaign donations of approximately \$63,000 and \$1,157,000, respectively. Outstanding pledges receivable at July 31, 2019 and 2018 from members of the board of directors were approximately \$760,000 and \$1,267,000, respectively.

SUPPLEMENTARY INFORMATION

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**SCHEDULE OF OPERATIONAL RESULTS (Unaudited)**

For the Years Ending July 31, 2019 and 2018

	2019	2018
SUPPORT AND REVENUE		
United Performing Arts Fund	\$ 867,612	\$ 905,161
Contributions	1,021,571	1,020,590
Foundation grants & contributions	593,038	550,795
Subscription series performance	2,193,932	2,567,882
School tuition	1,611,175	1,615,569
Other support and revenue	863,428	900,574
Total revenue and support	<u>7,150,756</u>	<u>7,560,571</u>
EXPENSES		
Program services	6,405,721	6,297,020
Supporting activities	867,333	856,231
Total expenses	<u>7,273,054</u>	<u>7,153,251</u>
CHANGE IN NET ASSETS	(122,298)	407,320
Depreciation expense	214,997	223,667
CHANGE IN NET ASSETS BEFORE DEPRECIATION EXPENSE	<u>\$ 92,699</u>	<u>\$ 630,987</u>

Note to Supplemental Schedule

The Milwaukee Ballet has an active capital campaign with the goal of building a new center, funding an operating reserve and funding new artistic work and community engagement programs. A major milestone was reached when the Company completed construction and moved into its new Center in August. The capital campaign will continue into a public phase of fundraising. Certain revenues and expenses incurred during the year specifically relate to the capital campaign. The capital campaign expenses excluded from operational results for 2019 and 2018 is \$92,543 and \$238,838, respectively. To better reflect the activity from normal operations without capital campaign activity, a supplemental schedule is presented to show operating results for the years ending July 31, 2019 and 2018.