



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

---

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2023 and 2022



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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

### **Report on the Consolidated Financial Statements**

#### **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, 2023 and 2022, 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, 2023 and 2022, and the changes in their net assets and their 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.

#### **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, the Organization adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

## **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 the purpose 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 consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Sikich LLP*

Brookfield, Wisconsin  
November 17, 2023

## **CONSOLIDATED FINANCIAL STATEMENTS**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of July 31, 2023 and 2022

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	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,532,927	\$ 4,147,537
Miscellaneous receivables	3,692	7,235
Pledges receivable - current	1,324,350	1,691,214
Inventory	93,149	90,595
Prepaid expense and other assets	123,318	104,224
Total current assets	<u>6,077,436</u>	<u>6,040,805</u>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<u>18,278,448</u>	<u>16,705,311</u>
<b>OTHER ASSETS</b>		
Cash - capital projects	2,838,022	2,372,624
Pledges receivable - long term, net	6,154,184	509,551
Operating right-of-use assets, net	687,217	-
Beneficial interest in assets held by the Greater Milwaukee Foundation	665,677	652,282
Total other assets	<u>10,345,100</u>	<u>3,534,457</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 34,700,984</u></u>	<u><u>\$ 26,280,573</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 246,219	\$ 240,018
Accrued liabilities	335,539	379,329
Deferred revenue	679,674	555,749
Capital leases payable - current	-	1,254
Operating right-of use liabilities - current portion	165,926	-
Notes payable	-	243,614
Total current liabilities	<u>1,427,358</u>	<u>1,419,964</u>
<b>LONG-TERM LIABILITIES</b>		
Capital leases payable - long term	-	2,230
Operating right-of use liabilities - noncurrent portion	538,744	-
Total liabilities	<u>1,966,102</u>	<u>1,422,194</u>
<b>NET ASSETS</b>		
Without donor restrictions	17,836,880	17,433,626
With donor restrictions	14,898,002	7,424,753
Total net assets	<u>32,734,882</u>	<u>24,858,379</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 34,700,984</u></u>	<u><u>\$ 26,280,573</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, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
United Performing Arts Fund	\$ 851,381	\$ 113,637	\$ 965,018
Contributions and grants	1,190,292	8,329,580	9,519,872
Noncash contributions	206,850	-	206,850
Special events, net of costs of direct benefit to donors of \$33,765	204,070	20,542	224,612
<b>Total support</b>	<b>2,452,593</b>	<b>8,463,759</b>	<b>10,916,352</b>
Subscription series performance	2,348,488	-	2,348,488
School tuition	1,734,525	-	1,734,525
Outreach	23,169	-	23,169
Rental and other revenue	325,377	-	325,377
Investment return	104,785	-	104,785
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	23,248	23,248
Retail	110,808	-	110,808
Less: Cost of sales	(41,633)	-	(41,633)
<b>Net retail</b>	<b>69,175</b>	<b>-</b>	<b>69,175</b>
<b>Total revenue</b>	<b>4,605,519</b>	<b>23,248</b>	<b>4,628,767</b>
Net assets released from restrictions	1,013,758	(1,013,758)	-
<b>Total support and revenue</b>	<b>8,071,870</b>	<b>7,473,249</b>	<b>15,545,119</b>

(This statement is continued on the following page.)

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

For the Year Ended July 31, 2023

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>EXPENSES</b>			
Program services			
Ballet performances	\$ 4,438,627	\$ -	\$ 4,438,627
Ballet school and academy	1,673,749	-	1,673,749
Community engagement and education	542,694	-	542,694
Total program services	<u>6,655,070</u>	<u>-</u>	<u>6,655,070</u>
Supporting activities			
Management and general	741,211	-	741,211
Fundraising	272,335	-	272,335
Total supporting activities	<u>1,013,546</u>	<u>-</u>	<u>1,013,546</u>
Total expenses	<u>7,668,616</u>	<u>-</u>	<u>7,668,616</u>
CHANGE IN NET ASSETS	403,254	7,473,249	7,876,503
NET ASSETS - BEGINNING OF YEAR	<u>17,433,626</u>	<u>7,424,753</u>	<u>24,858,379</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,836,880</u>	<u>\$ 14,898,002</u>	<u>\$ 32,734,882</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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
United Performing Arts Fund	\$ 737,309	\$ 155,637	\$ 892,946
Contributions and grants	1,932,928	980,586	2,913,514
Noncash contributions	211,156	-	211,156
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 \$9,135	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

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>EXPENSES</b>			
Program services			
Ballet performances	\$ 4,027,980	\$ -	\$ 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
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 17,433,626</b>	<b>\$ 7,424,753</b>	<b>\$ 24,858,379</b>

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See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended July 31, 2023

	<b>Ballet</b>	<b>Ballet School</b>	<b>Community</b>	<b>Total Program</b>	<b>Management</b>		<b>Cost of Direct</b>		<b>Cost of</b>	
	<b>Performances</b>	<b>and Academy</b>	<b>Engagement</b>	<b>Services</b>	<b>and General</b>	<b>Fundraising</b>	<b>Benefit to</b>	<b>Sales</b>	<b>2023 Total</b>	
			<b>and Education</b>				<b>Donors</b>			
Salaries and wages	\$ 2,320,450	\$ 990,357	\$ 262,217	\$ 3,573,024	\$ 383,253	\$ 198,971	\$ -	\$ -	\$ 4,155,248	
Contracted services	515,298	21,074	81,025	617,397	79,821	6,849	-	-	704,067	
Contracted services- choreography	30,000	1,800	2,000	33,800	-	-	-	-	33,800	
Rental expense	353,985	174,065	22,077	550,127	1,540	26,157	-	-	577,824	
Royalty	40,300	-	-	40,300	-	-	-	-	40,300	
Credit card service charges	77,270	48,464	-	125,734	-	7,622	-	-	133,356	
Printing and postage	1,557	3,351	87	4,995	3,530	1,243	-	-	9,768	
Material and supplies	73,664	9,364	2,627	85,655	13,752	2,710	-	41,633	143,750	
Travel	30,411	22,954	5,308	58,673	3	8	-	-	58,684	
Lodging-dorm	-	116,932	-	116,932	-	-	-	-	116,932	
Telephone	3,166	4,366	-	7,532	16,739	-	-	-	24,271	
Professional fees	-	5,787	42	5,829	98,115	-	-	-	103,944	
Professional fees- gift in kind	137,968	-	-	137,968	45,632	-	-	-	183,600	
Meals and entertainment	2,317	1,121	2,475	5,913	1,291	13,833	33,765	-	54,802	
Miscellaneous	29,453	14,902	7,638	51,993	11,284	192	-	-	63,469	
Occupancy	147,271	71,788	34,481	253,540	7,173	1,469	-	-	262,182	
Costumes and shoes	47,509	5,889	43,437	96,835	-	-	-	-	96,835	
Depreciation	351,128	133,736	76,225	561,089	10,797	8,338	-	-	580,224	
Insurance	2,119	-	-	2,119	57,569	-	-	-	59,688	
Advertising and promotions	274,761	47,799	3,055	325,615	7,606	4,943	-	-	338,164	
Interest	-	-	-	-	3,106	-	-	-	3,106	
	<b>\$ 4,438,627</b>	<b>\$ 1,673,749</b>	<b>\$ 542,694</b>	<b>\$ 6,655,070</b>	<b>\$ 741,211</b>	<b>\$ 272,335</b>	<b>\$ 33,765</b>	<b>\$ 41,633</b>	<b>\$ 7,744,014</b>	

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended July 31, 2022

	<b>Ballet</b>	<b>Ballet School</b>	<b>Community</b>	<b>Total Program</b>	<b>Management</b>		<b>Cost of Direct</b>		
	<b>Performances</b>	<b>and Academy</b>	<b>Engagement</b>	<b>Services</b>	<b>and General</b>	<b>Fundraising</b>	<b>Benefit to</b>	<b>Cost of Sales</b>	<b>2022 Total</b>
			<b>and Education</b>				<b>Donors</b>		
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 choreography services	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
Materials 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 promotion	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
	<b>\$ 4,027,980</b>	<b>\$ 1,585,449</b>	<b>\$ 570,782</b>	<b>\$ 6,184,211</b>	<b>\$ 643,046</b>	<b>\$ 258,156</b>	<b>\$ 9,135</b>	<b>\$ 25,838</b>	<b>\$ 7,120,386</b>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended July 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,876,503	\$ 2,618,811
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	580,224	593,122
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	(23,248)	79,041
Contributions restricted for long-term purposes	(9,086,856)	(333,333)
Non-cash operating lease expense	17,453	-
Bad debt expense	-	7,364
Decrease (increase) in:		
Miscellaneous receivables	3,543	(4,472)
Pledges receivable	2,058,410	(885,317)
Inventory	(2,554)	(8,718)
Prepaid expenses and other assets	(19,094)	(16,651)
Increase (decrease) in:		
Accounts payable	6,201	148,708
Accrued liabilities	(43,790)	30,604
Deferred revenue	123,925	110,641
Refundable grant advance	-	(1,741,553)
Net cash from operating activities	1,490,717	598,247
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,153,361)	(93,989)
Distributions from the Greater Milwaukee Foundation	9,853	12,225
Net cash from investing activities	(2,143,508)	(81,764)

(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, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital leases payable	\$ (3,484)	\$ (1,085)
Payments on line of credit - construction	(243,614)	(808,600)
Proceeds from contributions restricted for long term purposes	1,750,677	813,350
Net cash from financing activities	<u>1,503,579</u>	<u>3,665</u>
NET CHANGE IN CASH AND RESTRICTED CASH	850,788	520,148
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>6,520,161</u>	<u>6,000,013</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<u><u>\$ 7,370,949</u></u>	<u><u>\$ 6,520,161</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash	\$ 4,532,927	\$ 4,147,537
Cash - capital projects	2,838,022	2,372,624
	<u><u>\$ 7,370,949</u></u>	<u><u>\$ 6,520,161</u></u>
Cash paid for interest	<u><u>\$ 2,954</u></u>	<u><u>\$ 19,178</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Paycheck Protection Program Forgiveness	<u><u>\$ -</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, 2023 and 2022

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

#### Nature of Activities

Milwaukee Ballet Company, Inc. and Subsidiary (the Milwaukee Ballet) is a nonprofit organization whose mission is to advance the art form of ballet serving a community that includes Wisconsin and Northern Illinois. The community has made a substantial investment in the 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)

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

Principles of Consolidation

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

Method of Accounting

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

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions or Board imposed stipulations. There were no board designated net assets as of July 31, 2023 and 2022.

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)

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**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, 2023 and 2022, the balance of the deposits exceeded FDIC limits by approximately \$7,094,000 and \$6,261,000, respectively. The Milwaukee Ballet has not experienced any losses in such accounts and management 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, 2024. The labor agreement with American Federation of Musicians expired June 2023 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)

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

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. All property and equipment expenditures greater than \$5,000 are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives. Estimated lives of property and equipment consisted of the following:

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

Leases

The Milwaukee Ballet leases certain buildings and warehouse space. Milwaukee Ballet determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities (current and noncurrent) on the consolidated statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, Milwaukee Ballet uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Milwaukee Ballet has elected to apply the short-term lease exemption to two classes of underlying assets: hall space and vehicles. Milwaukee Ballet contracts with local vendors for transportation and performance space throughout the season. The agreements cover the current performance season and are re-negotiated each season depending on the performance schedule and location. The short-term lease cost recognized and disclosed for those leases for the year ending July 31, 2023 is \$366,229. As of July 31, 2023, there are no future payments due under the agreements for the fiscal 2022-2023 season.

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

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

Leases (Continued)

Milwaukee Ballet's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Milwaukee Ballet has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain classes of leases, such as real estate, Milwaukee Ballet accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, Milwaukee Ballet considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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.

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

Revenue Recognition (Continued)

*Contributions In-Kind* (Continued)

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.

*Special Event Revenue*

Special event revenue is made up of sponsorships and ticket sales. The portion that relates to the commensurate value the sponsor and attendee receives in return is recognized when the related events are held, and performance obligations are met. If an event is not held, the sponsorships and ticket sales are non-refundable. The excess amounts over commensurate value are considered a contribution that is recognized when the related events are held.

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 \$111,158 and \$68,478, as of July 31, 2023 and 2022, respectively. Tuition and fees revenues are recognized ratably over the academic terms. The Milwaukee Ballet generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of services.

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

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

Revenue from Contracts with Customers (Continued)

*Retail*

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

Provisions for discounts to customers are accounted for as reductions in revenues in the same period revenues are recorded.

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

*Significant Judgements*

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

*Disaggregation of Revenue from Contracts with Customers*

	<b>2023</b>	<b>2022</b>
Point in time recognition:		
Subscription series performance	\$ 2,348,488	\$ 1,874,441
Special events	33,765	9,135
Retail	110,808	64,990
Total point in time recognition	2,459,296	1,939,431
School tuition - over time recognition	1,734,525	1,640,399
<b>TOTAL</b>	<b>\$ 4,193,821</b>	<b>\$ 3,579,830</b>

*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 August 1, 2022 and 2021. Contract liabilities were as follows as of August 1:

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

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

Revenue from Contracts with Customers (Continued)

*Contract Assets and Liabilities (Continued)*

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

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.

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 the fiscal years ending July 31, 2023 and 2022.

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, 2023 and 2022 were \$38,834 and \$39,625, respectively. These contributions are determined in accordance with the provisions of negotiated labor contracts and are based upon percentage of wages earned by each eligible employee. Union employees have the option of having their contribution made to either Milwaukee Ballet's 403(b) plan or the union sponsored retirement plan. There is no additional obligation to the Milwaukee Ballet beyond the participant contributions.



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

Prepaid Expenses Related to Future Performances

Operating and performance expenses incurred that relate to a future fiscal year are deferred and recognized in that year. Advertising costs are expensed as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of season brochures that relate to subsequent fiscal year performances. The capitalized costs of the advertising are expensed as the performances occur. As of July 31, 2023 and 2022, \$24,991 and \$3,950, respectively, of capitalized advertising costs are included in prepaid expenses.

Advertising Cost

Advertising expense for the years ended July 31, 2023 and 2022 was \$234,690 and \$249,543, 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).

Milwaukee Ballet evaluates their uncertain tax positions on an annual basis, and there have been no recorded uncertain tax positions recorded in 2023 and 2022. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. Milwaukee Ballet files various federal or state non-profit tax returns. Milwaukee Ballet is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2020.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), to increase the transparency and comparability about leases among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

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

Recently Adopted Accounting Pronouncements (Continued)

Milwaukee Ballet adopted the standard effective August 1, 2022 and recognized and measured leases existing at, or entered into after, August 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended July 31, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, Milwaukee Ballet recognized on August 1, 2022 a lease liability of \$860,306, which represents the present value of the remaining operating lease payments of \$755,971, discounted using a risk-free rate of 2.66% and a right-of-use asset of \$853,927, which represents the operating lease liability of \$853,927.

The standard had a material impact on the consolidated statements of financial position, but did not have an impact on the consolidated statements of activities, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

Subsequent Events

Subsequent events are events or transactions that occur after year end but before consolidated 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 consolidated 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 17, 2023, 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, except as disclosed in Note 12.

**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 consolidated statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 7,370,949	\$ 6,520,161
Miscellaneous receivables	3,692	7,235
Pledges receivable	7,478,534	2,200,765
Beneficial interest in assets held by the Greater Milwaukee Foundation	<u>665,677</u>	<u>652,282</u>
Total financial assets and liquid resources	15,518,852	9,380,443
Less donor imposed restrictions	<u>(12,803,487)</u>	<u>(7,424,753)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 2,715,365</u>	 <u>\$ 1,955,690</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>2023</u>	<u>2022</u>
Less than one year	\$ 1,324,350	\$ 1,691,214
One to five years	4,192,928	557,167
Thereafter	<u>3,391,428</u>	<u>-</u>
Total pledges receivable	8,908,706	2,248,381
Less: Adjustment to present value for future cash flows from pledges receivable	<u>(1,430,172)</u>	<u>(47,616)</u>
PLEDGES RECEIVABLE, NET	<u>\$ 7,478,534</u>	<u>\$ 2,200,765</u>

The discount rate used to determine the present value of pledges receivable is a risk adjusted rate of approximately 2-7% as of July 31, 2023 and 2022. 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.

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

**3. PLEDGES RECEIVABLE (Continued)**

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, 2023 and 2022.

**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 was conditional upon the Milwaukee Ballet paying the construction note in full. In November 2022, Milwaukee Ballet paid the construction note in full and the condition on this pledge was met. The pledge of \$6,662,856 was recognized as revenue during the year ending July 31, 2023. There were no conditional promises outstanding as of July 31, 2023.

**5. PROPERTY, PLANT AND EQUIPMENT**

Property and equipment consisted of the following at July 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,659,226	\$ 2,659,226
Building and building improvements	13,722,856	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	1,235,959	1,156,980
Construction in progress	2,094,515	84,220
	<u>23,667,864</u>	<u>21,514,502</u>
Less: Accumulated depreciation	5,389,416	4,809,191
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<u><u>\$ 18,278,448</u></u>	<u><u>\$ 16,705,311</u></u>

Depreciation expense was \$580,224 and \$593,122 for the years ended July 31, 2023 and 2022, 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, 2023 and 2022.

**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, 2023 and 2022.

**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, 2023 and 2022.

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

Recurring Measurements

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

	<b>2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 665,677	\$ -	\$ 665,677
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ -</b>	<b>\$ 665,677</b>	<b>\$ -</b>	<b>\$ 665,677</b>
	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 652,282	\$ -	\$ 652,282
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ -</b>	<b>\$ 652,282</b>	<b>\$ -</b>	<b>\$ 652,282</b>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Milwaukee Ballet believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The change in the value of the interest in assets held by the Greater Milwaukee Foundation is included as a separate line in the consolidated statements of activities.

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

**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.

Changes in endowment net assets for the year ended July 31, 2023 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 assets, beginning of year	\$ 276,196	\$ 376,086	\$ 652,282
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	23,248	-	23,248
Amounts appropriated for expenditure	(9,853)	-	(9,853)
<b>ENDOWMENT ASSETS, END OF YEAR</b>	<b>\$ 289,591</b>	<b>\$ 376,086</b>	<b>\$ 665,677</b>

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

**8. ENDOWMENT (Continued)**

Interpretation of Relevant Law Governing Endowments (Continued)

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

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Restricted for Time or Purpose</u>	<u>Donor Restricted Corpus</u>	
Endowment net 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)
<b>ENDOWMENT ASSETS, END OF YEAR</b>	<b>\$ 276,196</b>	<b>\$ 376,086</b>	<b>\$ 652,282</b>

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.



**8. ENDOWMENT (Continued)**

Endowment Spending Policy (Continued)

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, 2023 and 2022.

**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 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. 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.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. Milwaukee Ballet does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

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 (8.25% and 4.75% as of July 31, 2023 and 2022, respectively) with a floor of 2.85% until July 5, 2023 when the outstanding note balance plus any accrued interest was due in full.

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

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**10. REVOLVING CONSTRUCTION AGREEMENT AND NOTE PAYABLE  
(Continued)**

The agreement was secured by the outstanding pledge agreements and assets, excluding real estate, of the Milwaukee Ballet. A balance of \$243,614 was outstanding as of July 31, 2022. The note was paid in full during the year ending July 31, 2023.

**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 (8.25% and 4.75% as of July 31, 2023 and 2022, respectively) 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, 2023 and 2022.

**12. LEASES**

The Organization has operating leases for equipment and building space. Leases have remaining lease terms of 1 to 6 years, which include one 5-year renewal option. The renewal option extends the leases for up to 5 years.

The components of lease expense were as follows for the year ending July 31, 2023:

Operating lease cost	\$ 188,816
Short-term lease cost	366,229
Variable lease cost	<u>22,779</u>
TOTAL	<u>\$ 577,824</u>

Other information related to leases was as follows as of July 31, 2023:

Supplemental cash flows information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 177,605
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Right-of-use assets obtained in exchange for lease obligation:

Operating leases	\$ 687,217
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Weighted average remaining lease term

Operating leases	5.1
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Weighted average discount rate

Operating leases	2.64%
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**MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**12. LEASES (Continued)**

Future minimum lease payments under non-cancellable leases as of July 31, 2023 were as follows:

Year Ending July 31,	<u>Operating</u>
2024	\$ 182,415
2025	118,367
2026	129,182
2027	126,326
2028	137,392
Thereafter	<u>62,289</u>
Total future minimum lease payments	755,971
Less: Imputed interest	<u>(51,301)</u>
<b>TOTAL</b>	<u><u>\$ 704,670</u></u>

Subsequent to year end, Milwaukee Ballet modified the terms of one of the leases which extended the lease term by 10 years and increased the lease liability by approximately \$813,000.

For the year ended July 31, 2022, which was prior to the adoption of Topic 842, rent expense was \$190,886.

**13. NONCASH CONTRIBUTIONS**

Milwaukee Ballet received the following contributions of nonfinancial assets for the years ended July 31:

	<u>2023</u>	<u>2022</u>
Contributed services:		
Cleaning services	\$ 8,000	\$ 8,000
Immigration - legal	26,743	22,293
Professional services - legal and design	45,632	55,668
Professional services - medical & athletic training	96,645	115,520
Psychological services	14,580	9,675
Sculptures	15,250	-
	<u>\$ 206,850</u>	<u>\$ 211,156</u>

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

**13. NONCASH CONTRIBUTIONS (Continued)**

Milwaukee Ballet 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.

Milwaukee Ballet received donated sculptures without donor restrictions. The donated sculptures are recorded as assets and revenue at their estimated fair market value on the date the assets were placed into service.

**14. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Restricted as to time and purpose:		
Capital campaign	\$ 9,398,184	\$ 4,667,519
Educational programming	14,500	14,500
Software and training	42,000	54,000
Facility repairs and maintenance	509,950	509,950
Income earned on endowment funds	295,903	276,196
New works/sets/costumes	3,745,484	925,526
Time restriction	515,895	600,977
Total restricted as to time and purpose	<u>14,521,916</u>	<u>7,048,668</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>\$ 14,898,002</u>	<u>\$ 7,424,754</u>

**15. RELATED PARTY TRANSACTIONS**

During 2023 and 2022, the Milwaukee Ballet received donations of approximately \$404,000 and \$291,000, respectively, from members of the board of directors and related entities in which the members serve in management roles. Donations received during 2023 and 2022 include capital campaign donations of approximately \$1,062,000 and \$0, respectively. Outstanding pledges receivable at July 31, 2023 and 2022 from members of the board of directors were approximately \$7,168,000 and \$96,000 respectively.

## **SUPPLEMENTARY INFORMATION**

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

For the Years Ending July 31, 2023 and 2022

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	<b>2023</b>	<b>2022</b>
<b>SUPPORT AND REVENUE</b>		
United Performing Arts Fund	\$ 965,018	\$ 853,389
Contributions and grants	1,500,191	2,096,268
Special events	247,292	110,607
Subscription series performance	2,348,488	1,874,441
School tuition	1,734,525	1,640,399
Other support and revenue	731,324	2,321,358
Total revenue and support	<u>7,526,838</u>	<u>8,896,462</u>
<b>EXPENSES</b>		
Program services	6,093,981	5,610,161
Supporting activities	994,411	863,827
Total expenses	<u>7,088,392</u>	<u>6,473,988</u>
CHANGE IN NET ASSETS BEFORE DEPRECIATION EXPENSE	438,446	2,422,474
Depreciation expense	580,224	593,122
CHANGE IN NET ASSETS AFTER DEPRECIATION EXPENSE	<u>\$ (141,778)</u>	<u>\$ 1,829,352</u>

## MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

### NOTE TO CONSOLIDATED SCHEDULE OF OPERATIONAL RESULTS (Unaudited)

For the Years Ending July 31, 2023 and 2022

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

Fiscal 2022-2023 was the Milwaukee Ballet's second post pandemic year. The season included one triple bill, the Nutcracker, three full length story ballets and a performance at our in-house black-box theater to end the season. This year's Nutcracker was the last performance with the current twenty-five-year-old costumes and sets. The show was a huge success and exceeded 2021-2022 revenues. There is much excitement and anticipation around the new Nutcracker that will be performed for the first time in 2023-2024. Funds have been raised through the new Nutcracker Capital Campaign to cover the cost of creating the new costumes and sets for the production.

The School did well with student enrollment up in all areas including the school, pre-professional program, summer intensive program and out of town summer intensive dorm enrollment. 2022-2023 contributed revenue was down year over year due to a large one-time donor bequest received in 2021-2022. 2022-2023 was the first post-pandemic year that the Ballet was able to hold its largest fundraiser, the Ball. Although attendance fell short of projections, the Ball was a huge success raising more than \$200,000 of revenue.

Covid-19 relief funding is reflected in other support and revenue for 2022-2023. The final quarterly employee retention tax credit of \$227,000 was received in 2022-2023 and is the last of the Covid-19 relief funding. Fiscal 2021-2022 reflects Covid-19 funding of \$735,000 for the Federal Government Protection grant and \$218,000 for the quarterly employee retention tax credit, as well as \$1,000,000 from the Shuttered Venue Operator's Grant.

Expenses relating to the capital campaign and interest on the construction term loan of \$1,967 and \$18,304 are excluded from operational results for 2023 and 2022, respectively.