



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

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended July 31, 2024 and 2023



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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 Audit of 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 statement of financial position as of July 31, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year 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, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Milwaukee Ballet Company, Inc. and Subsidiary as of July 31, 2023 were audited by Sikich LLP, whose report dated November 17, 2023, expressed an unmodified opinion of those consolidated financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

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 CPA LLC

Brookfield, Wisconsin
November 14, 2024

CONSOLIDATED FINANCIAL STATEMENTS

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of July 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,037,988	\$ 4,532,927
Investments	4,975,284	-
Miscellaneous receivables	10,181	3,692
Pledges receivable - current	667,560	1,324,350
Inventory	110,242	93,149
Prepaid expense and other assets	138,499	123,318
	<hr/>	<hr/>
Total current assets	6,939,754	6,077,436
	<hr/>	<hr/>
PROPERTY, PLANT AND EQUIPMENT, NET	19,431,639	18,278,448
	<hr/>	<hr/>
OTHER ASSETS		
Cash - capital projects	621,273	2,838,022
Pledges receivable - long term, net	6,280,980	6,154,184
Operating right-of-use assets, net	1,529,265	687,217
Investments, long-term	2,339,114	-
Beneficial interest in assets held by the Greater Milwaukee Foundation	-	665,677
	<hr/>	<hr/>
Total other assets	10,770,632	10,345,100
	<hr/>	<hr/>
TOTAL ASSETS	\$ 37,142,025	\$ 34,700,984
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(This statement is continued on the following page.)

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

As of July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 181,641	\$ 246,219
Accrued liabilities	313,432	335,539
Deferred revenue	752,607	679,674
Operating right-of use liabilities - current portion	95,449	165,926
Total current liabilities	1,343,129	1,427,358
LONG-TERM LIABILITIES		
Operating right-of use liabilities - noncurrent portion	1,461,678	538,744
Total liabilities	2,804,807	1,966,102
NET ASSETS		
Without donor restrictions - undesignated	20,347,611	17,836,880
Without donor restrictions - board designated	1,341,340	-
Total without donor restrictions	21,688,951	17,836,880
With donor restrictions	12,648,267	14,898,002
Total net assets	34,337,218	32,734,882
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,142,025</u>	<u>\$ 34,700,984</u>

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
United Performing Arts Fund	\$ 683,691	\$ 120,174	\$ 803,865
Contributions and grants	1,387,344	1,892,520	3,279,864
Noncash contributions	247,226	-	247,226
Special events, net of costs of direct benefit to donors of \$45,873	266,451	-	266,451
Total support	2,584,712	2,012,694	4,597,406
Subscription series performance	2,712,061	-	2,712,061
School tuition	1,905,366	-	1,905,366
Outreach	22,257	-	22,257
Rental and other revenue	109,823	-	109,823
Investment return, net	550,990	89,487	640,477
Miscellaneous revenue	1,807	-	1,807
Retail	130,269	-	130,269
Less: Cost of sales	(47,625)	-	(47,625)
Net retail	82,644	-	82,644
Total revenue	5,384,948	89,487	5,474,435
Net assets released from restrictions	4,351,916	(4,351,916)	-
Total support and revenue	12,321,576	(2,249,735)	10,071,841

(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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program services			
Ballet performances	\$ 4,804,201	\$ -	\$ 4,804,201
Ballet school and academy	1,893,028	-	1,893,028
Community engagement and education	613,971	-	613,971
Total program services	7,311,200	-	7,311,200
Supporting activities			
Management and general	849,681	-	849,681
Fundraising	308,624	-	308,624
Total supporting activities	1,158,305	-	1,158,305
Total expenses	8,469,505	-	8,469,505
CHANGE IN NET ASSETS	3,852,071	(2,249,735)	1,602,336
NET ASSETS - BEGINNING OF YEAR	17,836,880	14,898,002	32,734,882
NET ASSETS - END OF YEAR	\$ 21,688,951	\$ 12,648,267	\$ 34,337,218

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
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
Total support	2,452,593	8,463,759	10,916,352
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)
Net retail	69,175	-	69,175
Total revenue	4,605,519	23,248	4,628,767
Net assets released from restrictions	1,013,758	(1,013,758)	-
Total support and revenue	8,071,870	7,473,249	15,545,119

(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

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
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	6,655,070	-	6,655,070
Supporting activities			
Management and general	741,211	-	741,211
Fundraising	272,335	-	272,335
Total supporting activities	1,013,546	-	1,013,546
Total expenses	7,668,616	-	7,668,616
CHANGE IN NET ASSETS	403,254	7,473,249	7,876,503
NET ASSETS - BEGINNING OF YEAR	17,433,626	7,424,753	24,858,379
NET ASSETS - END OF YEAR	\$ 17,836,880	\$ 14,898,002	\$ 32,734,882

See accompanying notes to consolidated financial statements.

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2024

	Ballet	Ballet School	Community	Total Program	Management		Cost of Direct		Cost of	
	Performances	and Academy	Engagement	Services	and General	Fundraising	Benefit to		Sales	2024 Total
			and Education				Donors			
Salaries and wages	\$ 2,416,613	\$ 1,065,035	\$ 286,518	\$ 3,768,166	\$ 438,810	\$ 231,145	\$ -	\$ -	\$ -	\$ 4,438,121
Contracted services	508,139	29,216	100,963	638,318	76,642	10,202	-	-	-	725,162
Contracted services- choreography	32,500	9,600	3,000	45,100	-	-	-	-	-	45,100
Rental expense	372,793	216,413	22,686	611,892	2,818	23,394	-	-	-	638,104
Royalty	55,050	-	-	55,050	-	-	-	-	-	55,050
Credit card service charges	101,670	57,559	-	159,229	-	7,628	-	-	-	166,857
Printing and postage	1,649	5,082	49	6,780	2,660	5,139	-	-	-	14,579
Material and supplies	56,150	10,221	3,967	70,338	25,739	2,541	-	-	47,625	146,243
Travel	52,030	19,677	3,913	75,620	1,310	150	-	-	-	77,080
Lodging-dorm	-	115,837	-	115,837	-	-	-	-	-	115,837
Telephone	2,726	2,454	-	5,180	14,583	-	-	-	-	19,763
Professional fees	426	3,641	141	4,208	89,798	1,728	-	-	-	95,734
Professional fees- gift in kind	150,700	-	-	150,700	83,526	-	-	-	-	234,226
Meals and entertainment	3,943	1,998	2,406	8,347	7,956	13,004	45,873	-	-	75,180
Miscellaneous	16,590	17,474	2,215	36,279	11,496	451	-	-	-	48,226
Occupancy	138,008	81,774	33,143	252,925	6,938	1,359	-	-	-	261,222
Costumes and shoes	48,316	5,087	46,408	99,811	-	82	-	-	-	99,893
Depreciation	463,274	135,148	80,723	679,145	11,434	8,830	-	-	-	699,409
Insurance	2,350	-	-	2,350	62,565	-	-	-	-	64,915
Advertising and promotions	381,274	116,812	27,839	525,925	7,823	2,971	-	-	-	536,719
Interest	-	-	-	-	73	-	-	-	-	73
Bad debt	-	-	-	-	5,510	-	-	-	-	5,510
	\$ 4,804,201	\$ 1,893,028	\$ 613,971	\$ 7,311,200	\$ 849,681	\$ 308,624	\$ 45,873	\$ 47,625	\$ 47,625	\$ 8,563,003

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

	Ballet	Ballet School	Community	Total Program	Management	Cost of Direct	Cost of Sales	2023 Total
	Performances	and Academy	Engagement	Services	and General	Benefit to		
			and Education			Donors		
Salaries and wages	\$ 2,320,450	\$ 990,357	\$ 262,217	\$ 3,573,024	\$ 383,253	\$ -	\$ -	\$ 4,155,248
Contracted services	515,298	21,074	81,025	617,397	79,821	6,849	-	704,067
Contracted choreography services	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
Materials 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 promotion	274,761	47,799	3,055	325,615	7,606	4,943	-	338,164
Interest	-	-	-	-	3,106	-	-	3,106
	<u>\$ 4,438,627</u>	<u>\$ 1,673,749</u>	<u>\$ 542,694</u>	<u>\$ 6,655,070</u>	<u>\$ 741,211</u>	<u>\$ 272,335</u>	<u>\$ 33,765</u>	<u>\$ 7,744,014</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, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,602,336	\$ 7,876,503
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	699,409	580,224
Change in beneficial interest in assets held by the Greater Milwaukee Foundation	-	(23,248)
Unrealized gain on investments	(444,336)	-
Contributions restricted for long-term purposes	(406,500)	(9,086,856)
Non-cash operating lease expense	10,409	17,453
Bad debt expense	5,510	-
Decrease (increase) in:		
Miscellaneous receivables	(6,489)	3,543
Pledges receivable	(753,182)	2,058,410
Inventory	(17,093)	(2,554)
Prepaid expenses and other assets	(15,181)	(19,094)
Increase (decrease) in:		
Accounts payable	(64,578)	6,201
Accrued liabilities	(22,107)	(43,790)
Deferred revenue	72,933	123,925
Net cash from operating activities	661,131	1,490,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,852,600)	(2,153,361)
Proceeds from sale of investments	1,217,303	-
Purchases of investments	(8,087,365)	-
Distributions from the Greater Milwaukee Foundation	665,677	9,853
Net cash from investing activities	(8,056,985)	(2,143,508)

(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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases payable	\$ -	\$ (3,484)
Payments on line of credit - construction	-	(243,614)
Proceeds from contributions restricted for long term purposes	1,684,166	1,750,677
	<u>1,684,166</u>	<u>1,503,579</u>
Net cash from financing activities	1,684,166	1,503,579
NET CHANGE IN CASH AND RESTRICTED CASH	(5,711,688)	850,788
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>7,370,949</u>	<u>6,520,161</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,659,261</u>	<u>\$ 7,370,949</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash	\$ 1,037,988	\$ 4,532,927
Cash - capital projects	621,273	2,838,022
	<u>1,659,261</u>	<u>7,370,949</u>
Total	<u>\$ 1,659,261</u>	<u>\$ 7,370,949</u>
Cash paid for interest	<u>\$ 73</u>	<u>\$ 2,954</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, 2024 and 2023

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Milwaukee Ballet Company, Inc. and Subsidiary (the Milwaukee Ballet) is a non-profit 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)

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. As of July 31, 2024, the Board designated certain assets for a board designated endowment. There were no board designated net assets as of July 31, 2023.

With Donor Restrictions

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

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

Cash

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

Milwaukee Ballet maintains its cash at two financial institutions which, at times, may exceed federally insured limits. At July 31, 2024 and 2023, the balance of the deposits exceeded FDIC limits by approximately \$1,379,000 and \$7,094,000, 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.

Investments

Investments are reported at fair value in the consolidated statements of financial position. Investment transactions are recorded on a settlement date basis. Realized gains and losses are determined by the specific identification cost method. Interest and dividend income and capital gain distributions are recognized when earned. Direct internal and external investment fees are netted against investment income. Investment return is reflected in the consolidated statements of activities as income without donor restrictions, or income with donor restrictions based on the existence and nature of any donor restrictions. Investment return whose restrictions are met in the same year as received are reported as investment return without donor restrictions in the accompanying consolidated statements of activities.

Miscellaneous Receivables

Miscellaneous receivables consist of uncollected school tuition and other miscellaneous items. Milwaukee Ballet recognizes an allowance for expected credit losses at each reporting date. The allowance is an estimate based on the analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and its reasonable and supportable expectation of future conditions. Receivables with similar risk characteristics are pooled for estimation of expected credit losses to reflect any changes in credit risk since the receivable was initially recorded.

After all attempts to collect have failed, the receivable is written off against the allowance. If recoveries are made from accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. There were no write-offs during the years ending July 31, 2024 and 2023; however, actual write-offs may occur. Management has determined an allowance for credit losses is not deemed necessary as of July 31, 2024 and 2023.

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

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

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 expired June 30, 2024. The labor agreement with American Federation of Musicians expired June 2023. The labor agreement with the American Guild of Musical Artists was renewed subsequent to year end for a period of July 1, 2024 through June 30, 2027. The agreement with the American Federation of Musicians is under negotiation and has not been renewed as of the date of this report. These agreements cover all performers employed by the Milwaukee Ballet and define all terms and conditions related to their employment. These agreements cover approximately 45% of the total Milwaukee Ballet workforce.

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	5-39
Production equipment	5-20
Dance equipment	10-20
Furniture and fixtures	5-10
Office and technology equipment	3-10

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

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 years ending July 31, 2024 and 2023 is \$365,030 and \$366,229, respectively. As of July 31, 2024, there are no future payments due under the agreements for the fiscal 2024-2025 season.

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.

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

Leases (Continued)

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. There were no conditional contributions or grants as of July 31, 2024 and 2023.

Contributions In-Kind

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

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

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.

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

Revenue from Contracts with Customers

Performance Revenue

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

Tuition Revenue

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

The nature of tuition gives rise to variable consideration in the form of scholarships awarded to students to defray the costs of the program, which reduce the transaction price (tuition). Scholarships awarded to students were \$106,174 and \$111,158, as of July 31, 2024 and 2023, respectively. Tuition and fees revenues are recognized ratably over the academic terms. The Milwaukee Ballet generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of services.

Retail

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

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

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

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

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

Revenue from Contracts with Customers (Continued)

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

	<u>2024</u>	<u>2023</u>
Point in time recognition		
Subscription series performance	\$ 2,712,061	\$ 2,348,488
Special events	45,873	33,765
Retail	130,269	110,808
	<hr/>	<hr/>
Total point in time recognition	2,888,203	2,493,061
School tuition - over time recognition	1,905,366	1,734,525
	<hr/>	<hr/>
TOTAL	<u>\$ 4,793,569</u>	<u>\$ 4,227,586</u>

Contract Assets and Liabilities

Contract liabilities consist of deferred performance revenue which consist of advance ticket sales and is liquidated when the performances are executed and are included on the consolidated statements of financial position as deferred revenue. There are no contract assets as of August 1, 2023 and 2022. Contract liabilities were as follows as of August 1:

	<u>2023</u>	<u>2022</u>
Deferred revenue	\$ 679,674	\$ 555,749

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.

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

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, such as printing and postage, materials and supplies, miscellaneous and telephone 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. Depreciation on 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, 2024 and 2023.

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, 2024 and 2023 were \$43,533 and \$38,834, respectively. These contributions are determined in accordance with the provisions of negotiated labor contracts and are based upon percentage of wages earned by each eligible employee. Union employees have the option of having their contribution made to either Milwaukee Ballet's 403(b) plan or the union sponsored retirement plan. There is no additional obligation to the Milwaukee Ballet beyond the participant contributions.

Prepaid Expenses Related to Future Performances

Operating and performance expenses incurred that relate to a future fiscal year are deferred and recognized in that year. Advertising costs are expensed as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of season brochures that relate to subsequent fiscal year performances. The capitalized costs of the advertising are expensed as the performances occur. As of July 31, 2024 and 2023, \$21,822 and \$24,991, 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 years ended July 31, 2024 and 2023 was \$255,280 and \$234,690, 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 2024 and 2023. 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 2021.

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 14, 2024, 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 1.

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>2024</u>	<u>2023</u>
Cash	\$ 1,659,261	\$ 7,370,949
Miscellaneous receivables	10,181	3,692
Pledges receivable	6,948,540	7,478,534
Investments	7,314,398	-
Beneficial interest in assets held by the Greater Milwaukee Foundation	-	665,677
	<u>15,932,380</u>	<u>15,518,852</u>
Total financial assets and liquid resources	15,932,380	15,518,852
Less: Donor imposed restrictions	(12,566,349)	(12,803,487)
Less: Board designated endowment	(1,341,340)	-
	<u>(1,341,340)</u>	<u>-</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 2,024,691</u>	 <u>\$ 2,715,365</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.

The Milwaukee Ballet does not intend to spend from its board designated endowment, other than amounts appropriated for general expenditure, amounts from its board designated endowment could be made available, if necessary.

3. PLEDGES RECEIVABLE

Unconditional pledges receivable at July 31 are as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 667,560	\$ 1,324,350
One to five years	7,324,856	4,192,928
Thereafter	-	3,391,428
	<u>7,992,416</u>	<u>8,908,706</u>
Total pledges receivable	7,992,416	8,908,706
Less: Adjustment to present value for future cash flows from pledges receivable	(1,043,876)	(1,430,172)
	<u>(1,043,876)</u>	<u>(1,430,172)</u>
 PLEDGES RECEIVABLE, NET	 <u>\$ 6,948,540</u>	 <u>\$ 7,478,534</u>

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

3. PLEDGES RECEIVABLE (Continued)

The discount rate used to determine the present value of pledges receivable is a risk adjusted rate of approximately 3.8- 6.6% as of July 31, 2024 and 2023. Pledges receivable are periodically reviewed by management to determine the adequacy of the allowance for doubtful accounts. When all collection efforts have been exhausted, the pledges are written off against the related allowance. Actual write-offs might exceed the recorded allowance. Pledges that are written off and subsequently collected are credited to the allowance for uncollectible accounts. Based upon management's evaluation, the Milwaukee Ballet believes an allowance for doubtful accounts is not necessary for the years ending July 31, 2024 and 2023.

4. PROPERTY, PLANT AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,659,226	\$ 2,659,226
Building and building improvements	13,722,856	13,722,856
Leasehold improvements	222,165	94,208
Production equipment	6,051,576	3,461,633
Dance equipment	399,467	399,467
Furniture and fixtures	1,289,679	1,235,959
Construction in progress	81,918	2,094,515
Total	24,426,887	23,667,864
Less: Accumulated depreciation	(4,995,248)	(5,389,416)
PROPERTY, PLANT AND EQUIPMENT, NET	<u>\$ 19,431,639</u>	<u>\$ 18,278,448</u>

5. 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. During the year ending July 31, 2024, Milwaukee Ballet withdrew the entire balance of these funds and invested them in investment accounts held by Milwaukee Ballet.

5. BENEFICIAL INTEREST IN ASSETS HELD BY THE GREATER MILWAUKEE FOUNDATION

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.

6. 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, 2024 and 2023.

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

6. 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, 2024 and 2023.

Mutual funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Corporate and municipal bonds: The fair value of investments are based on valuations provided by external investment managers and the custodian. Valuations of investments are provided by the custodial financial institutions based on observable inputs other than quoted prices such as pricing services or indices.

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:

	2024			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,808,776	\$ -	\$ -	\$ 3,808,776
Corporate and municipal bonds	-	3,275,329	-	3,275,329
TOTAL ASSETS AT FAIR VALUE	\$ 3,808,776	\$ 3,275,329	\$ -	7,084,105
Cash and cash equivalents - at cost				230,293
TOTAL INVESTMENTS				\$ 7,314,398
	2023			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Greater Milwaukee Foundation	\$ -	\$ 665,677	\$ -	\$ 665,677
TOTAL ASSETS AT FAIR VALUE	\$ -	\$ 665,677	\$ -	\$ 665,677

6. FAIR VALUE MEASUREMENTS (Continued)

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.

7. 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.

Interpretation of Relevant Law Governing Endowments

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

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

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

7. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of July 31, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted for Time or Purpose	Donor Restricted Corpus	
Donor restricted	\$ -	\$ 379,078	\$ 376,086	\$ 755,164
Board designated	1,341,340	242,610	-	1,583,950
TOTAL	\$ 1,341,340	\$ 621,688	\$ 376,086	\$ 2,339,114

Changes in endowment net assets for the year ended July 31, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted for Time or Purpose	Donor Restricted Corpus	
Endowment assets, beginning of year	\$ -	\$ 289,591	\$ 376,086	\$ 665,677
Investment return, net	285,195	89,487	-	374,682
Contributions	1,056,145	242,610	-	1,298,755
Amounts appropriated for expenditure	-	-	-	-
ENDOWMENT ASSETS, END OF YEAR	\$ 1,341,340	\$ 621,688	\$ 376,086	\$ 2,339,114

Endowment net asset composition by type of fund as of July 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted for Time or Purpose	Donor Restricted Corpus	
Donor restricted	\$ -	\$ 289,591	\$ 376,086	\$ 665,677
TOTAL	\$ -	\$ 289,591	\$ 376,086	\$ 665,677

Changes in endowment net assets for the year ended July 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted for Time or Purpose	Donor Restricted Corpus	
Endowment net 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)
ENDOWMENT ASSETS, END OF YEAR	\$ -	\$ 289,591	\$ 376,086	\$ 665,677

7. 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 a spending policy which allows for a minimum 4% annual distribution calculating utilizing the calendar year-end average ending balance of the Legacy Fund for the previous three years. 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, 2024 and 2023.

8. COMMITMENTS AND CONTINGENCIES

The Milwaukee Ballet previously received a Paycheck Protection Program (PPP) grant through the Small Business Administration (SBA). The loan was previously forgiven. 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.

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

9. 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 (8.50% and 8.25% as of July 31, 2024 and 2023, 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, 2024 and 2023.

10. LEASES

The Organization has operating leases for equipment and building space. Leases have remaining lease terms of 4 to 19 years.

The components of lease expense were as follows for the years ending July 31:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 169,893	\$ 188,816
Short-term lease cost	365,030	366,229
Variable lease cost	103,181	22,779
TOTAL	<u>\$ 638,104</u>	<u>\$ 577,824</u>

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

Supplemental cash flows information:	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 151,341	\$ 177,605
Right-of-use assets obtained in exchange for lease obligation		
Operating leases	\$ 1,205,513	\$ 687,217
Weighted average remaining lease term		
Operating leases	15.7	5.1
Weighted average discount rate		
Operating leases	3.83%	2.64%

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

10. LEASES (Continued)

Future minimum lease payments under non-cancellable leases as of July 31, 2024 were as follows:

Year Ending July 31,	<u>Operating</u>
2025	\$ 163,025
2026	166,908
2027	170,638
2028	174,901
2029	158,039
Thereafter	<u>1,465,755</u>
Total future minimum lease payments	2,299,266
Less: Imputed interest	<u>(742,139)</u>
TOTAL	<u><u>\$ 1,557,127</u></u>

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Restricted as to time and purpose		
Capital campaign	\$ 9,649,911	\$ 9,398,184
Educational programming	14,500	14,500
Software and training	-	42,000
Facility repairs and maintenance	509,950	509,950
Income earned on endowment funds	379,078	295,903
New works/sets/costumes	578,076	3,745,484
Legacy	242,610	-
Time restriction	898,056	515,895
Total restricted as to time and purpose	<u>12,272,181</u>	<u>14,521,916</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><u>\$ 12,648,267</u></u>	<u><u>\$ 14,898,002</u></u>

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

12. NONCASH CONTRIBUTIONS

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

	<u>2024</u>	<u>2023</u>
Contributed services		
Cleaning services	\$ 8,000	\$ 8,000
Immigration - legal	41,665	26,743
Professional services - legal and design	83,526	45,632
Professional services - medical & athletic training	87,895	96,645
Psychological services	21,140	14,580
Sculptures	<u>5,000</u>	<u>15,250</u>
 TOTAL	 <u>\$ 247,226</u>	 <u>\$ 206,850</u>

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.

13. RELATED PARTY TRANSACTIONS

During 2024 and 2023, the Milwaukee Ballet received donations of approximately \$454,000 and \$404,000, respectively, from members of the board of directors and related entities in which the members serve in management roles. Donations received during 2024 and 2023 include capital campaign donations of approximately \$535,000 and \$1,062,000, respectively. Outstanding pledges receivable at July 31, 2024 and 2023 from members of the board of directors were approximately \$6,939,000 and \$7,168,000 respectively.

SUPPLEMENTARY INFORMATION

MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED SCHEDULES OF OPERATIONAL RESULTS (Unaudited)

For the Years Ending July 31, 2024 and 2023

	2024	2023
SUPPORT AND REVENUE		
United Performing Arts Fund	\$ 803,865	\$ 965,018
Contributions and grants	1,814,445	1,500,191
Special events	266,451	247,292
Subscription series performance	2,712,061	2,348,488
School tuition	1,905,366	1,734,525
Other support and revenue	1,012,644	731,324
	<hr/>	<hr/>
Total revenue and support	8,514,832	7,526,838
EXPENSES		
Program services	6,632,054	6,093,981
Supporting activities	1,138,041	994,411
	<hr/>	<hr/>
Total expenses	7,770,095	7,088,392
CHANGE IN NET ASSETS BEFORE DEPRECIATION EXPENSE		
	744,737	438,446
Depreciation expense	699,409	580,224
	<hr/>	<hr/>
CHANGE IN NET ASSETS AFTER DEPRECIATION EXPENSE	\$ 45,328	\$ (141,778)
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MILWAUKEE BALLET COMPANY, INC. AND SUBSIDIARY

NOTE TO CONSOLIDATED SCHEDULES OF OPERATIONAL RESULTS (Unaudited)

For the Years Ending July 31, 2024 and 2023

Note to Consolidated Schedule of Operational Results (Unaudited)

The 2023-2024 season included two full length story ballets, one triple bill, the Nutcracker, and the popular biennial choreographer competition. The highlight of the season was the premiere of the highly anticipated new Nutcracker production. The show received rave reviews and drew 39% new audience members. The popular Milwaukee Ballet Orchestra provided live music for the Nutcracker and the two full length story ballets.

The School continues to do well. The School and Academy students performed in their year-end showcase and the Pre-Professional students had two performances during the school year. The Pre-professional program provides students with the opportunity to continue their dance by being selected to join our Second Company Milwaukee Ballet II. The summer months were very busy for the School with the six week summer intensive program. The number of summer camps were up year over year, increasing from 8 dance camps to 26 summer camps.

The 2023-2024 contributed revenue was up year over year due to both event income and corporate sponsorships. There were two major events in 2023-2024, the Ball and the Dracula Bash. The Ball was a huge success raising over \$295,000 in revenue.

The 2023-2024 other revenue and support includes \$370,000 of unrealized gains on investments and \$186,000 of interest and dividend income.

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.

Expenses relating to the capital campaign of \$8,605 and \$1,967 are excluded from operational results for 2024 and 2023, respectively.