

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 - 2 |
| Statement of Financial Position | 3 |
| Statement of Activities..... | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7 - 28 |
| Schedule of Without Donor Restricted Activities Reconciled to Operating Budget..... | 29 |

Independent Auditor's Report

Board of Directors
Milwaukee Repertory Theater, Inc. and Affiliate

We have audited the accompanying financial statements of Milwaukee Repertory Theater, Inc. and Affiliate which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Repertory Theater, Inc. and Affiliate as of June 30, 2020, 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.

Ritz Holman LLP
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Board of Directors
Milwaukee Repertory Theater, Inc. and Affiliate

Report on Summarized Comparative Information

We have previously audited Milwaukee Repertory Theater, Inc. and Affiliate's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of without donor restricted activities reconciled to operating budget is are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 5, 2020

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Summarized Totals for June 30, 2019)

| ASSETS | | | | |
|---|-------------------------------|----------------------------|---------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Total |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents (NOTES A-4 and E) | \$ 6,363,455 | \$ 227,887 | \$ 6,591,342 | \$ 5,006,679 |
| Investments (NOTES A-7 and F-H) | 6,828,660 | 4,281,462 | 11,110,122 | 11,408,163 |
| Interest Receivable | 13,779 | --- | 13,779 | 24,955 |
| Pledges Receivable (NOTES A-5 and I) | 68,804 | 1,574,080 | 1,642,884 | 1,778,953 |
| Other Receivables | 47,682 | --- | 47,682 | 237,501 |
| Inventory (NOTES A-8 and J) | 81,830 | --- | 81,830 | 61,197 |
| Prepaid Expenses | 280,005 | --- | 280,005 | 481,673 |
| Total Current Assets | \$ 13,684,215 | \$ 6,083,429 | \$ 19,767,644 | \$ 18,999,121 |
| INVESTMENTS (NOTES A-7 and F-H) | \$ --- | \$ 10,687,113 | \$ 10,687,113 | \$ 10,669,930 |
| PLEDGES RECEIVABLE (NOTES A-5 and I) | \$ 68,804 | \$ 1,851,867 | \$ 1,920,671 | \$ 2,701,367 |
| Less: Current Portion | (68,804) | (1,574,080) | (1,642,884) | (1,778,953) |
| Long-Term Pledges Receivable | \$ --- | \$ 277,787 | \$ 277,787 | \$ 922,414 |
| FIXED ASSETS (NOTES A-6 and K) | | | | |
| Total Fixed Assets | \$ 24,362,902 | \$ --- | \$ 24,362,902 | \$ 23,597,271 |
| Less: Accumulated Depreciation | (16,251,503) | --- | (16,251,503) | (15,437,689) |
| Net Fixed Assets | \$ 8,111,399 | \$ --- | \$ 8,111,399 | \$ 8,159,582 |
| Due To/From Funds | \$ (3,043,787) | \$ 3,043,787 | \$ --- | \$ --- |
| TOTAL ASSETS | \$ 18,751,827 | \$ 20,092,116 | \$ 38,843,943 | \$ 38,751,047 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 552,141 | \$ --- | \$ 552,141 | \$ 757,494 |
| Deferred Revenue (NOTE L) | 3,145,362 | --- | 3,145,362 | 4,079,017 |
| Current PPP Loan (NOTE M) | 482,081 | --- | 482,081 | --- |
| Total Current Liabilities | \$ 4,179,584 | \$ --- | \$ 4,179,584 | \$ 4,836,511 |
| NONCURRENT LIABILITIES | | | | |
| Long-Term PPP Loan (NOTE M) | \$ 964,119 | \$ --- | \$ 964,119 | \$ --- |
| Total Noncurrent Liabilities | \$ 964,119 | \$ --- | \$ 964,119 | \$ --- |
| Total Liabilities | \$ 5,143,703 | \$ --- | \$ 5,143,703 | \$ 4,836,511 |
| NET ASSETS (NOTE A-10) | | | | |
| Without Donor Restrictions | | | | |
| Operating | \$ 8,142,853 | \$ --- | \$ 8,142,853 | \$ 8,186,925 |
| Board Designated (NOTE A-9) | 5,465,271 | --- | 5,465,271 | 5,365,086 |
| Total Net Assets Without Donor Restrictions | \$ 13,608,124 | \$ --- | \$ 13,608,124 | \$ 13,552,011 |
| With Donor Restrictions | | | | |
| Total Net Assets | \$ 13,608,124 | \$ 20,092,116 | \$ 33,700,240 | \$ 33,914,536 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 18,751,827 | \$ 20,092,116 | \$ 38,843,943 | \$ 38,751,047 |

The accompanying notes are an integral part of these financial statements.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

| | Without Donor Restrictions | | | With Donor Restrictions | | | | | 2020 Total | 2019 Total |
|--|----------------------------|---------------------|---------------|-------------------------|---------------------|---------------------|---------------------------|---------------|---------------|---------------|
| | Operating | Board Designated | Total | Operating | Special Projects | Endowment Income | Permanently Restricted | Total | | |
| INCOME | | | | | | | | | | |
| Public Support | | | | | | | | | | |
| Wisconsin Arts Board | \$ 17,500 | \$ --- | \$ 17,500 | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 17,500 | \$ 17,500 |
| Milwaukee County | 51,450 | --- | 51,450 | --- | --- | --- | --- | --- | 51,450 | --- |
| NEA Grant | 25,000 | --- | 25,000 | --- | --- | --- | --- | --- | 25,000 | 30,000 |
| City of Milwaukee | 8,000 | --- | 8,000 | 6,200 | --- | --- | --- | 6,200 | 14,200 | --- |
| UPAF Grant | 1,804,045 | --- | 1,804,045 | --- | --- | --- | --- | --- | 1,804,045 | 1,742,889 |
| Foundations | 374,684 | --- | 374,684 | 277,500 | 102,641 | --- | 2,641 | 382,782 | 757,466 | 780,682 |
| Corporate Grants | 208,442 | --- | 208,442 | 304,529 | --- | --- | --- | 304,529 | 512,971 | 299,748 |
| Contributions | 1,916,413 | 136,418 | 2,052,831 | 602,989 | 13,259 | --- | 14,542 | 630,790 | 2,683,621 | 2,237,557 |
| Fundraising Events | | | | | | | | | | |
| Income | 75,160 | --- | 75,160 | 259,672 | --- | --- | --- | 259,672 | 334,832 | 424,466 |
| Expense | (60,205) | --- | (60,205) | --- | --- | --- | --- | --- | (60,205) | (188,627) |
| Net Assets Released from Restrictions | 2,484,441 | (593,878) | 1,890,563 | (1,135,475) | (125,000) | (630,088) | --- | (1,890,563) | --- | --- |
| Total Public Support | \$ 6,904,930 | \$ (457,460) | \$ 6,447,470 | \$ 315,415 | \$ (9,100) | \$ (630,088) | \$ 17,183 | \$ (306,590) | \$ 6,140,880 | \$ 5,344,215 |
| Earned Income | | | | | | | | | | |
| Box Office Income | \$ 5,893,577 | \$ --- | \$ 5,893,577 | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 5,893,577 | \$ 7,089,703 |
| Coproduction Income | 35,000 | --- | 35,000 | --- | --- | --- | --- | --- | 35,000 | 209,886 |
| Concessions Sales - Net of Cost | 422,739 | --- | 422,739 | --- | --- | --- | --- | --- | 422,739 | 611,855 |
| Education Programs | 66,100 | --- | 66,100 | --- | --- | --- | --- | --- | 66,100 | 84,953 |
| Ticket Handling | 125,299 | --- | 125,299 | --- | --- | --- | --- | --- | 125,299 | 143,543 |
| Building Restoration Fee | --- | 309,898 | 309,898 | --- | --- | --- | --- | --- | 309,898 | 324,250 |
| Other Earned Income | 106,069 | --- | 106,069 | --- | --- | --- | --- | --- | 106,069 | 128,650 |
| Investment Income (NOTE F) | 88,686 | 208,858 | 297,544 | --- | --- | 36,181 | --- | 36,181 | 333,725 | 1,059,149 |
| Total Earned Income | \$ 6,737,470 | \$ 518,756 | \$ 7,256,226 | \$ --- | \$ --- | \$ 36,181 | \$ --- | \$ 36,181 | \$ 7,292,407 | \$ 9,651,989 |
| Total Income | \$ 13,642,400 | \$ 61,296 | \$ 13,703,696 | \$ 315,415 | \$ (9,100) | \$ (593,907) | \$ 17,183 | \$ (270,409) | \$ 13,433,287 | \$ 14,996,204 |
| EXPENSES | | | | | | | | | | |
| Program Services | | | | | | | | | | |
| Artistic | \$ 3,038,327 | \$ --- | \$ 3,038,327 | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 3,038,327 | \$ 3,483,597 |
| Education Programs | 689,824 | 13,135 | 702,959 | --- | --- | --- | --- | --- | 702,959 | 643,013 |
| Production | 3,418,031 | 510 | 3,418,541 | --- | --- | --- | --- | --- | 3,418,541 | 3,448,522 |
| Marketing | 2,268,657 | 84,367 | 2,353,024 | --- | --- | --- | --- | --- | 2,353,024 | 2,420,850 |
| Concessions | 639,482 | --- | 639,482 | --- | --- | --- | --- | --- | 639,482 | 539,032 |
| Facilities | 671,998 | 60,684 | 732,682 | --- | --- | --- | --- | --- | 732,682 | 900,826 |
| Administrative and General | 1,086,302 | 69,415 | 1,155,717 | --- | --- | --- | --- | --- | 1,155,717 | 1,186,829 |
| Development | 793,037 | --- | 793,037 | --- | --- | --- | --- | --- | 793,037 | 859,132 |
| Total Expenses Without Depreciation | \$ 12,605,658 | \$ 228,111 | \$ 12,833,769 | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 12,833,769 | \$ 13,481,801 |
| CHANGE IN NET ASSETS BEFORE DEPRECIATION | \$ 1,036,742 | \$ (166,815) | \$ 869,927 | \$ 315,415 | \$ (9,100) | \$ (593,907) | \$ 17,183 | \$ (270,409) | \$ 599,518 | \$ 1,514,403 |
| Depreciation | 813,814 | --- | 813,814 | --- | --- | --- | --- | --- | 813,814 | 727,354 |
| CHANGE IN NET ASSETS AFTER DEPRECIATION | \$ 222,928 | \$ (166,815) | \$ 56,113 | \$ 315,415 | \$ (9,100) | \$ (593,907) | \$ 17,183 | \$ (270,409) | \$ (214,296) | \$ 787,049 |
| Net Assets, Beginning of Year | 8,186,925 | 5,365,086 | 13,552,011 | 2,017,030 | 2,442,361 | 4,132,402 | 11,770,732 | 20,362,525 | 33,914,536 | 33,127,487 |
| Transfers | (267,000) | 267,000 | --- | --- | --- | --- | --- | --- | --- | --- |
| NET ASSETS, END OF YEAR | \$ 8,142,853 | \$ 5,465,271 | \$ 13,608,124 | \$ 2,332,445 | \$ 2,433,261 | \$ 3,538,495 | \$ 11,787,915 | \$ 20,092,116 | \$ 33,700,240 | \$ 33,914,536 |

The accompanying notes are an integral part of these financial statements.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

| EXPENSES | Artistic | Education | Production | Marketing | Concessions | Facilities | Administrative and General | Development | 2020 Total | 2019 Total |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|-------------------------------|-------------------|----------------------|----------------------|
| PERSONNEL | | | | | | | | | | |
| Salaries and Fees | \$ 1,780,172 | \$ 334,723 | \$ 2,019,060 | \$ 697,233 | \$ 451,508 | \$ 208,166 | \$ 614,119 | \$ 485,739 | \$ 6,590,720 | \$ 6,556,980 |
| Payroll Taxes | 131,792 | 30,228 | 199,618 | 68,900 | 60,272 | 19,251 | 50,350 | 36,747 | 597,158 | 586,447 |
| Pension and Welfare | 353,517 | 53,492 | 420,229 | 78,150 | 49,722 | 30,633 | 100,917 | 53,726 | 1,140,386 | 1,199,162 |
| Travel, Housing and Per Diem | 272,109 | 118,782 | 13,075 | 74 | --- | --- | 5,000 | 167 | 409,207 | 501,787 |
| Other Personnel | 9,081 | 78,533 | 1,526 | 4,233 | 5,312 | 1,308 | 7,781 | 2,962 | 110,736 | 84,825 |
| Total Personnel | \$ 2,546,671 | \$ 615,758 | \$ 2,653,508 | \$ 848,590 | \$ 566,814 | \$ 259,358 | \$ 778,167 | \$ 579,341 | \$ 8,848,207 | \$ 8,929,201 |
| OTHER EXPENSES | | | | | | | | | | |
| Travel and Conferences | \$ 32,628 | \$ 21,801 | \$ 4,780 | \$ 6,770 | \$ --- | \$ 1,242 | \$ 15,551 | \$ 13,096 | \$ 95,868 | \$ 121,179 |
| Equipment | 279 | 118 | 102,590 | 9,645 | 16,671 | 92,121 | 23,138 | 431 | 244,993 | 318,827 |
| IT Equipment and Service | 164 | 2,317 | 2,958 | 115,068 | 1,070 | --- | 85,565 | --- | 207,142 | 224,923 |
| Hospitality and Programs | 3,275 | 13,642 | 2,483 | 26,466 | 267 | --- | 21,670 | 56,669 | 124,472 | 142,532 |
| Insurance | --- | 1,703 | --- | --- | --- | --- | 49,752 | --- | 51,455 | 11,719 |
| Materials and Supplies | 11,115 | 3,396 | 296,150 | 35,222 | 33,454 | 38,880 | 478 | 242 | 418,937 | 457,739 |
| Office and Miscellaneous | 5,709 | 3,890 | 6,200 | 8,139 | 646 | 441 | 30,974 | 4,221 | 60,220 | 98,313 |
| Postage and Mailing Services | 122 | 287 | 15,505 | 149,676 | 2 | --- | 5,892 | 15,699 | 187,183 | 199,837 |
| Printing and Signage | 19 | 195 | 341 | 300,096 | 1,852 | 132 | --- | 35,196 | 337,831 | 251,739 |
| Professional Services | 2,750 | 27,357 | 61,432 | 216,561 | --- | 67,073 | 108,789 | 4,850 | 488,812 | 575,868 |
| Telephone, Fax and Internet | 2,009 | --- | --- | 7,844 | --- | 1,575 | 24,558 | --- | 35,986 | 39,475 |
| Interest Expense | --- | --- | --- | --- | --- | --- | --- | --- | --- | 145 |
| Advertising (NOTE A-13) | --- | --- | --- | 358,995 | --- | --- | --- | --- | 358,995 | 480,696 |
| Bank and Credit Card Fees | --- | --- | --- | 188,394 | 18,311 | --- | 11,183 | 18,400 | 236,288 | 253,326 |
| Telemarketing Commissions | --- | --- | --- | 81,558 | --- | --- | --- | 64,892 | 146,450 | 105,117 |
| Coproduction Expense | 44,435 | --- | 30,146 | --- | --- | --- | --- | --- | 74,581 | 73,343 |
| Royalties | 381,547 | 500 | --- | --- | --- | --- | --- | --- | 382,047 | 475,530 |
| Repairs and Maintenance | --- | --- | --- | --- | 395 | 105,170 | --- | --- | 105,565 | 284,136 |
| Rent | 7,604 | 11,995 | 242,448 | --- | --- | --- | --- | --- | 262,047 | 255,175 |
| Utilities | --- | --- | --- | --- | --- | 166,690 | --- | --- | 166,690 | 167,976 |
| Unrelated Business Income Tax | --- | --- | --- | --- | --- | --- | --- | --- | --- | 15,005 |
| Depreciation | --- | --- | --- | --- | --- | 813,814 | --- | --- | 813,814 | 727,354 |
| Total Other Expenses | \$ 491,656 | \$ 87,201 | \$ 765,033 | \$ 1,504,434 | \$ 72,668 | \$ 1,287,138 | \$ 377,550 | \$ 213,696 | \$ 4,799,376 | \$ 5,279,954 |
| Subtotal | \$ 3,038,327 | \$ 702,959 | \$ 3,418,541 | \$ 2,353,024 | \$ 639,482 | \$ 1,546,496 | \$ 1,155,717 | \$ 793,037 | \$ 13,647,583 | \$ 14,209,155 |
| Special Event Expenses | | | | | | | | | | |
| Rent and Facility | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 4,234 | \$ 4,234 | \$ 64,509 |
| Food and Beverages | --- | --- | --- | --- | --- | --- | --- | 1,110 | 1,110 | 6,026 |
| Entertainment | --- | --- | --- | --- | --- | --- | --- | 14,878 | 14,878 | 17,237 |
| Supplies | --- | --- | --- | --- | --- | --- | --- | 4,838 | 4,838 | 37,488 |
| Travel | --- | --- | --- | --- | --- | --- | --- | 31,968 | 31,968 | --- |
| Other Expenses | --- | --- | --- | --- | --- | --- | --- | 3,177 | 3,177 | 63,367 |
| Total Special Events | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ --- | \$ 60,205 | \$ 60,205 | \$ 188,627 |
| Total Expenses | \$ 3,038,327 | \$ 702,959 | \$ 3,418,541 | \$ 2,353,024 | \$ 639,482 | \$ 1,546,496 | \$ 1,155,717 | \$ 853,242 | \$ 13,707,788 | \$ 14,397,782 |

The accompanying notes are an integral part of these financial statements.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (214,296) | \$ 787,049 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 813,814 | 727,354 |
| Realized/Unrealized (Gain) Loss on Investments (NOTE F) | 167,220 | (312,590) |
| (Increase) Decrease in Interest Receivable | 11,176 | (2,457) |
| (Increase) Decrease in Pledges Receivable | 780,696 | 1,078,025 |
| (Increase) Decrease in Loan Receivables | --- | 12,173 |
| (Increase) Decrease in Other Receivables | 189,819 | (129,473) |
| (Increase) Decrease in Inventory | (20,633) | 2,149 |
| (Increase) Decrease in Prepaid Expenses | 201,668 | (51,633) |
| Increase (Decrease) in Accounts Payable | (205,353) | 5,774 |
| Increase (Decrease) in Deferred Revenue | (933,655) | 287,845 |
| | <u>\$ 790,456</u> | <u>\$ 2,404,216</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | \$ (765,631) | \$ (1,472,922) |
| Proceeds from Sale of Investments | 9,763,069 | 7,757,273 |
| Purchase of Investments | (9,649,431) | (9,667,821) |
| | <u>\$ (651,993)</u> | <u>\$ (3,383,470)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program Loan | \$ 1,446,200 | \$ --- |
| | <u>\$ 1,446,200</u> | <u>\$ ---</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 1,584,663 | \$ (979,254) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>5,006,679</u> | <u>5,985,933</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 6,591,342</u> | <u>\$ 5,006,679</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest Paid | \$ --- | \$ 145 |

The accompanying notes are an integral part of these financial statements.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE A - Summary of Significant Accounting Policies

A-1 Organization

The Milwaukee Repertory Theater, Inc. ("The Rep") is an organization which presents theatrical performances to the public. The mission is to ignite positive change in the cultural, social, and economic vitality of its community by creating world-class theater experiences that entertain, provoke, and inspire meaningful dialogue among an audience representative of Milwaukee's rich diversity.

A-2 Combined Financial Statements

The accompanying combined financial statements include the accounts of Milwaukee Repertory Theater, Inc. and Friends of Milwaukee Repertory Theater, Inc. LLC. Friends of Milwaukee Repertory Theater, Inc. LLC donates thousands of hours of volunteer time and effort to assure that "The Rep" has the resources to maintain its artistic standards and meet its financial objectives.

A-3 Accounting Method

The accompanying combined financial statements of the Milwaukee Repertory Theater, Inc. have been prepared on the accrual basis of accounting.

A-4 Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

A-5 Pledges Receivable

Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

A-6 Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Fixed asset additions in excess of \$2,500 are capitalized.

A-7 Investments

Investments consist of marketable debt and equity securities, real estate partnership and certificates of deposit which are carried at fair market value.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE A - Summary of Significant Accounting Policies (continued)

A-8 Inventory

Inventory is valued at cost.

A-9 Board Designated Net Assets

The Board of Directors has designated certain resources as available for use for purposes at the discretion of the Board of the Theater. The Board Designated Net Assets consists of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------|--------------------|
| Cash Reserve Fund | \$4,277,607 | \$3,948,272 |
| Building Reserve Fund | <u>1,187,664</u> | <u>1,416,814</u> |
| Total Board Designated Net Assets | <u>\$5,465,271</u> | <u>\$5,365,086</u> |

A-10 Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The net assets with donor restrictions consists of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Operating | \$ 2,126,967 | \$ 1,811,554 |
| Rose Pickering Fund | 9,083 | 9,083 |
| Larry Shue Fund | 196,395 | 196,393 |
| Special Projects | 2,433,261 | 2,442,361 |
| Endowment | 11,787,915 | 11,770,732 |
| Endowment Income | <u>3,538,495</u> | <u>4,132,402</u> |
| Total Net Assets With Donor Restrictions | <u>\$20,092,116</u> | <u>\$20,362,525</u> |

A-11 Contributions

Contributions received and unconditional promises to give are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Organization's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - Summary of Significant Accounting Policies (continued)

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

A-12 Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the financial statements.

A-13 Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

A-14 Estimates

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

A-15 Functional Expenses

Management's estimate of the expense allocation to program, management and fundraising on the statement of activities is based on management's estimate of costs attributable to the relative nature of the expenses. We evaluated the key factors and assumptions used to develop the allocation to programs, management, and fundraising in determining that the estimate is reasonable in relation to the financial statements taken as a whole.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B - Comparative Financial Information

The financial information shown for 2019 in the accompanying financial statements is included to provide a basis for comparison with 2020 and presents summarized totals only. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE C - Accounting Change

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued accounting updates issued to clarify the standards. The updates are effective for the year ended June 30, 2020. The updates are required and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the guidance is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled.

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective for the year ended June 30, 2020. This update is required. The goal of this update is to help organizations determine reciprocal and nonreciprocal transactions. The guidance clarifies that an exchange transaction is when the resource provider receives equal value in return for what the resource provider pays. When the general public is the recipient of the service or goods, the transaction is not considered a reciprocal transaction, it is considered a contribution. The guidance also clarifies that a conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Results for reporting periods beginning after July 1, 2019, are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with legacy generally accepted accounting principles.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. The adoption of the new standard is the new footnote disclosure regarding box office income, fundraising and raffle income, food and beverage revenue and historic building fee income. There was no significant effect on the financial statements related to the adoption of this new standard which would require cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE C - Accounting Change (continued)

Accounting Standards *Update 2016-02, Leases (Topic 842)* will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards *Update 2016-13, Financial Instruments - Credit Losses (Topic 326)* will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE D - Liquidity

The Organization has financial assets available to meet cash needs for general expenditure consisting of the following:

| | |
|----------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 6,363,455 |
| Investments | 6,828,660 |
| Interest Receivable | 13,779 |
| Pledges Receivable | 68,804 |
| Other Receivables | <u>47,682</u> |
| Total Financial Assets | <u>\$13,322,380</u> |

The Organization also has financial assets not included in the table above with donor restrictions that make them unavailable for general expenditures. Those financial assets consist of the following:

| | |
|----------------------------|------------------------|
| Cash and Cash Equivalents | \$ 227,887 |
| Investments | 4,281,462 |
| Pledges Receivable | <u>1,574,080</u> |
| Total Financial Assets | <u>\$6,083,429</u> |

NOTE E - Concentration of Credit Risk

The Organization maintains cash and cash equivalent balances. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the total uninsured balance was \$1,652,125.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE F - Investments

Investments as of June 30, 2020, consist of the following:

| | |
|---|---------------------|
| Professionally Advised by Marquette Associates, Inc.: | |
| Mutual Funds | \$13,129,883 |
| Equities | 2,465,540 |
| Real Estate Fund | 1,418,858 |
| Senior Secured Loan Fund | 997,345 |
| Fixed Income Securities | 2,072,178 |
| Greater Milwaukee Foundation (GMF) Agency Fund | 96,274 |
| Certificates of Deposit less than one year: | |
| Actors Federal Credit Union | 245,335 |
| BMO Bank | 200,000 |
| Charles Schwab, various banks | <u>1,171,822</u> |
| Total | <u>\$21,797,235</u> |
| Investments - Current | \$11,110,122 |
| Investments - Long-Term | <u>10,687,113</u> |
| Total Investments | <u>\$21,797,235</u> |

Investments as of June 30, 2019, consist of the following:

| | |
|---|---------------------|
| Professionally Advised by Marquette Associates, Inc.: | |
| Mutual Funds | \$12,102,194 |
| Equities | 2,334,797 |
| Real Estate Fund | 1,389,767 |
| Senior Secured Loan Fund | 828,006 |
| Fixed Income Securities | 1,413,546 |
| Greater Milwaukee Foundation (GMF) Agency Fund | 96,261 |
| Certificates of Deposit less than one year: | |
| Actors Federal Credit Union | 242,643 |
| Charles Schwab, various banks | 1,248,214 |
| US Treasury Notes: | |
| Less than one year | <u>2,422,664</u> |
| Total | <u>\$22,078,092</u> |
| Investments - Current | \$11,408,162 |
| Investments - Long-Term | <u>10,669,930</u> |
| Total Investments | <u>\$22,078,092</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE F - Investments (continued)

Investments are stated at fair market value. Aggregate cost, aggregate fair market value, and gross unrealized gain (loss) as of June 30, 2020 and 2019, are summarized as follows:

| | <u>Aggregate Cost</u> | <u>Aggregate Fair Market Value</u> | <u>Gross Unrealized Gain</u> |
|------|---------------------------|--|--------------------------------------|
| 2020 | \$21,081,165 | \$21,797,235 | \$ 716,070 |
| 2019 | \$20,963,851 | \$22,078,092 | \$1,114,241 |

Investment (loss) income for the year ended June 30, is as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|-------------------|
| Interest and Dividends | \$ 359,065 | \$ 482,180 |
| Capital Gains Distributions | 146,124 | 263,551 |
| Realized Gain | 182,810 | 215,251 |
| Unrealized (Loss) Gain | <u>(354,274)</u> | <u>98,167</u> |
| Total | \$ 333,725 | \$1,059,149 |
| Less: Non-Operating Investment Income | <u>245,039</u> | <u>946,215</u> |
| Operating Investment Income | <u>\$ 88,686</u> | <u>\$ 112,934</u> |

Investment income from the Cash Reserve is board designated for special projects. Investment income from the Building Replacement and Theater Funds is restricted to capital purchases and building maintenance. Investment income from the Larry Shue Fund is restricted to supporting intern programs. Investment Income from the Endowment funds is released to operations based on the Board's disbursement policy.

NOTE G - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE G - Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

| <u>Investment Category</u> | <u>Fair Value</u> | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|----------------------------|---------------------|---|---|--|
| Equities | \$ 2,465,540 | \$ 2,465,540 | \$ --- | \$ --- |
| Mutual Funds | 13,129,883 | 13,129,883 | --- | --- |
| US Treasury Notes | --- | --- | --- | --- |
| Fixed Income Securities | 2,072,178 | 2,072,178 | --- | --- |
| CDs | 1,617,157 | --- | 1,617,157 | --- |
| Real Estate Fund | 1,418,858 | --- | --- | 1,418,858 |
| GMF Agency Fund | 96,274 | --- | --- | 96,274 |
| Senior Secured Loan | 997,345 | --- | --- | 997,345 |
| Total | <u>\$21,797,235</u> | <u>\$17,667,601</u> | <u>\$1,617,157</u> | <u>\$2,512,477</u> |

The Organization's real estate fund is managed by American Core Realty Fund, LP. The fair values of the real estate fund is measured based on the statement provided by the American Core Realty Fund, LP. The table below presents information about recurring fair value measurement for the real estate fund (level 3 measurements):

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| Beginning Net Asset Value as of July 1 | \$1,389,767 | \$1,305,928 |
| Income - Reinvested | 54,881 | 65,415 |
| Unrealized Gain or Loss | <u>(25,790)</u> | <u>18,424</u> |
| Ending Net Asset Value as of June 30 | <u>\$1,418,858</u> | <u>\$1,389,767</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE G - Fair Value Measurements (continued)

The Organization's senior secured loan fund is managed by State Street Fund Service Toronto, Inc. The fair values of the senior secured loan fund is measured based on the statement provided by the State Street Fund Service Toronto, Inc. The table below presents information about recurring fair value measurement for the senior secured loan fund (level 3 measurements):

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Beginning Net Asset Value as of July 1 | \$828,006 | \$799,388 |
| Purchase | --- | --- |
| Income - Reinvested | 224,785 | 41,527 |
| Unrealized Gain or Loss | <u>(55,444)</u> | <u>(12,909)</u> |
| Ending Net Asset Value as of June 30 | <u>\$997,345</u> | <u>\$828,006</u> |

The Organization's Greater Milwaukee Foundation Agency fund is managed by the Greater Milwaukee Foundation (GMF). The fair values of the GMF Agency fund is measured based on the statement provided by the Greater Milwaukee Foundation. The table below presents information about recurring fair value measurement for the GMF fund (level 3 measurements):

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|-----------------|
| Beginning Net Asset Value as of July 1 | \$96,261 | \$97,917 |
| Purchase | --- | --- |
| Investment Income Net of Fees | 1,724 | 3,387 |
| Grants Received | <u>(1,711)</u> | <u>(5,043)</u> |
| Ending Net Asset Value as of June 30 | <u>\$96,274</u> | <u>\$96,261</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE G - Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019:

| <u>Investment Category</u> | <u>Fair Value</u> | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|----------------------------|---------------------|---|---|--|
| Equities | \$ 2,334,797 | \$ 2,334,797 | \$ --- | \$ --- |
| Mutual Funds | 12,102,194 | 12,102,194 | --- | --- |
| US Treasury Notes | 2,422,664 | 2,422,664 | --- | --- |
| Fixed Income Securities | 1,413,546 | 1,413,546 | --- | --- |
| CDs | 1,490,857 | --- | 1,490,857 | --- |
| Real Estate Fund | 1,389,767 | --- | --- | 1,389,767 |
| GMF Agency Fund | 96,261 | --- | --- | 96,261 |
| Senior Secured Loan | 828,006 | --- | --- | 828,006 |
| Total | <u>\$22,078,092</u> | <u>\$18,273,201</u> | <u>\$1,490,857</u> | <u>\$2,314,034</u> |

NOTE H - Investments - Donor-Designated Endowment

Interpretation of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the endowment committee appropriates such amounts for expenditure.

Endowment Investment and Spending Policies

The Organization has adopted the following investment, acceptable investment, and risk and spending policies. These policies were updated during May 2020. Below is a summary of these policies:

Summarized Investment Policy

The Investment Advisors will make recommendations to the Investment Committee on investment matters, including selection of investment alternatives and investment managers. The Investment Committee will establish the allocation of assets of the funds according to the detailed parameters and considerations described in the current investment policy adopted by the Board of Directors. The Investment Committee will review the allocations at least quarterly. The portfolio will be rebalanced as market movements or cash payments in to or out of the funds transpire, taking into consideration liquidity limitations.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE H - Investments - Donor-Designated Endowment (continued)

Summarized Investment Policy (continued)

The Investment Committee and the Investment Advisors should not engage in short-term market timing.

A. Cash Reserve Fund

Since the Cash Reserve Fund is available for operating shortfalls, the Cash Reserve Fund will be managed separately and an amount equal to the next two years potential shortfalls kept liquid in a combination of money market and short to intermediate fixed income investments.

B. Building Reserve Fund and Theater Fund

These funds are intended to serve as the funding vehicle for building and theater maintenance and capital improvements. An amount equal to the next two years estimated net expenditures will be kept liquid in a combination of money market and short to intermediate fixed income investments. The remaining funds will be invested in a balanced portfolio of fixed income and equity funds designed to maximize income consistent with preserving capital.

C. Enhancement Fund

The overall investment objective is to maximize total return on assets at a risk level consistent with prudent management, taking into consideration safety and preservation of real principal, potential for market appreciation and income.

Disbursement Policy

The Rep will attempt to notify the Investment Advisor(s) or managers 30 days prior to any disbursement being required.

A. Cash Reserve Fund

The Cash Reserve Fund will be available as needed for Rep operations at the discretion of the Finance Committee.

B. Building Reserve Fund and Theater Fund

The Building Reserve Fund and Theater Fund will be disbursed as follows:

1. Disbursements are to be made for the periodic upkeep and renewal of the physical structure. The expected types of disbursement would include, but are not limited to: painting, sound insulation, replacement of roof, carpeting, furniture, fixtures, equipment, floors and windows; and maintenance of floors, windows, historic restoration, and exterior walls.
2. Disbursements from the Theater Fund will be made against a five-year rolling schedule (see I.B).
3. There is no intention or requirement to maintain the principal contributions in whole. Both principal and earnings will be available for distribution.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE H - Investments - Donor-Designated Endowment (continued)

C. Enhancement Fund

The Enhancement Fund will be disbursed as follows:

1. Annual disbursement will be an amount representing between 3% and 5% of the adjusted rolling 5 year average fund balance as of June 30th, with a targeted annual disbursement of 4%. However, in no case may any amounts be disbursed from the contributed principal of the Enhancement Fund. The adjusted rolling average is intended to give immediate effect to principal payments, while averaging out income variations. It is defined as the cumulative principal payments plus the 5-year rolling average of cumulative unexpended income (investment income - disbursements).
2. Management shall present to the Finance Committee of the Rep the specific amount requested for a year. The Finance Committee will then review and present the request to the Board for approval.
3. Actual disbursements against the approved amount will be made at least quarterly.
4. There will be no advances, in a current year, of funds not available until a future year.
5. Management may request, with the approval of the Board, that amounts available for disbursement in one year be carried forward to future years to fund a specific project or program.

The Organization's endowment by net asset class at the end of the period, in total and by type of endowment fund, shows donor-restricted endowment funds separately from board-designated endowment funds.

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

| | <u>Total</u> |
|---|---------------------|
| Endowment Funds with Donor Restrictions | <u>\$15,246,661</u> |
| Total Endowment Funds | <u>\$15,246,661</u> |

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

| | <u>Total</u> |
|---|---------------------|
| Endowment Funds with Donor Restrictions | <u>\$16,046,281</u> |
| Total Endowment Funds | <u>\$16,046,281</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE H - Investments - Donor-Designated Endowment (continued)

Changes in endowment net assets as of June 30, 2020 and 2019, are as follows:

| | Without Donor <u>2020</u> | With Donor <u>2019</u> |
|--|------------------------------|---------------------------|
| Endowment Net Assets, Beginning of Year | \$16,046,281 | \$15,931,408 |
| Contributions | 17,183 | 180,247 |
| Investment Income | 36,181 | 787,781 |
| Amounts Appropriated for Expenditure | <u>(852,984)</u> | <u>(853,151)</u> |
| Endowment Net Assets, End of Year | <u>\$15,246,661</u> | <u>\$16,046,281</u> |

NOTE I - Pledges Receivable

Pledges receivable are shown net of an allowance for doubtful accounts based on analysis of pledges for the year ended June 30, 2020, as follows:

| | |
|---|------------------------|
| Pledges Receivable | \$1,956,144 |
| Less: PV discount on Pledges Receivable | (30,913) |
| Less: Allowance for Doubtful Accounts | <u>(4,560)</u> |
| Net Pledges Receivable | <u>\$1,920,671</u> |
| Pledges Receivable - Current | \$1,642,884 |
| Pledges Receivable - Long-Term | <u>277,887</u> |
| Net Pledges Receivable | <u>\$1,920,671</u> |

Present Value Discount was calculated at the rate of 2.75% on June 30, 2020.

Future expected receipts are as follows:

| <u>Year</u> | <u>Amount</u> |
|------------------------------------|------------------------|
| 2021 | \$1,642,884 |
| 2022 | 270,760 |
| 2023 | 31,500 |
| 2024 | <u>11,000</u> |
| Total Future Expected Receipts | <u>\$1,956,144</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE I - Pledges Receivable (continued)

Pledges receivable are shown net of an allowance for doubtful accounts based on analysis of pledges for the year ended June 30, 2019, as follows:

| | |
|---|--------------------|
| Pledges Receivable | \$2,767,704 |
| Less: PV discount on Pledges Receivable | (60,237) |
| Less: Allowance for Doubtful Accounts | <u>(6,100)</u> |
| Net Pledges Receivable | <u>\$2,701,367</u> |

NOTE J - Inventory

Inventory as of June 30, 2020 and 2019, consists of the following:

| <u>Inventory Item</u> | <u>2020</u> | <u>2019</u> |
|-----------------------|-----------------|-----------------|
| Food and Beverage | \$36,494 | \$31,436 |
| Merchandise | 27,807 | 7,172 |
| Supplies | <u>17,529</u> | <u>22,589</u> |
| Total | <u>\$81,830</u> | <u>\$61,197</u> |

NOTE K - Fixed Assets

Fixed assets as of June 30, 2020 and 2019, consists of the following:

| <u>At Cost:</u> | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------|---------------------|
| Building and Improvements | \$ 17,895,525 | \$ 17,627,020 |
| River Walk | 413,349 | 413,349 |
| Theater Fixtures | 893,265 | 893,265 |
| Scenic Elements | 701,478 | 701,478 |
| Computer Equipment | 1,520,279 | 1,241,108 |
| Furniture and Equipment | 2,858,720 | 2,675,463 |
| Vehicles | 45,588 | 45,588 |
| Other Fixed Assets | <u>34,700</u> | <u>---</u> |
| Total Fixed Assets | \$ 24,362,902 | \$ 23,597,271 |
| Less: Accumulated Depreciation | <u>(16,251,503)</u> | <u>(15,437,689)</u> |
| Net Fixed Assets | <u>\$ 8,111,399</u> | <u>\$ 8,159,582</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE L - Deferred Revenue

Deferred revenue as of June 30, 2020 and 2019, consists of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------|--------------------|--------------------|
| (1) Ticket Sales | \$2,786,705 | \$3,641,163 |
| (2) Gift Certificates | 152,130 | 86,788 |
| (3) Flex Passes | 80,155 | 125,730 |
| (4) Other Funds | <u>126,372</u> | <u>225,336</u> |
| Totals | <u>\$3,145,362</u> | <u>\$4,079,017</u> |

Ticket Sales

The Milwaukee Repertory Theater, Inc. defers recognition of advance season ticket sales until the conclusion of each performance during the subsequent season, at which time the sales are credited to revenue.

Other Funds

These amounts represent funds received in the current year that are to be recognized in the subsequent period.

NOTE M - Paycheck Protection Program Loan

The Organization has entered into the Paycheck Protection Program and received a loan of \$1,446,200 on April 15, 2020. The Organization is required to pay principal and interest payments of \$81,385 each month, beginning seven months from April 15, 2020. As of June 30, 2020, the interest rate was 1%. The Organization may be eligible for full or partial loan forgiveness based on if the proceeds are spent on eligible expenditures in the loan coverage period and if the Organization meets other loan requirements such as maintaining employment levels as compared to a reference period previous to the loan period.

The future minimum loan principal payments are as follows:

| <u>For the Year Ending June 30,</u> | <u>Principal Payment</u> |
|-------------------------------------|------------------------------|
| 2021 | \$ 482,081 |
| 2022 | <u>964,119</u> |
| Total | <u>\$1,446,200</u> |

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE N - Revenue From Contracts with Customers

Box Office Income

The Organization sells tickets to various shows throughout the year. Tickets can be purchased in person at the box office or over the phone. Revenue is recognized at the point in time the Organization's performance obligation to perform the show is complete. Total box office income for the years ended June 30, 2020 and 2019, was \$5,893,577 and \$7,089,703, respectively. Deferred revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing tickets to future shows. These revenues are recognized at a point of time in the future when the show is held.

For the Year Ending June 30, 2020

| | |
|---|---------------------|
| Beginning Deferred Revenue | \$ 4,079,017 |
| Revenue Recognized from Prior Year Deferred | (4,079,017) |
| New Deferred Tickets Sold | 4,959,922 |
| Revenue Recognized on Box Office Income | <u>(1,814,560)</u> |
| Ending Deferred | <u>\$ 3,145,362</u> |

For the Year Ending June 30, 2019

| | |
|---|---------------------|
| Beginning Deferred Revenue | \$ 3,791,172 |
| Revenue Recognized from Prior Year Deferred | (3,791,172) |
| New Deferred Tickets Sold | 7,377,548 |
| Revenue Recognized on Box Office Income | <u>(3,298,531)</u> |
| Ending Deferred | <u>\$ 4,079,017</u> |

Fundraising and Raffle Income

The Organization holds a raffle each year and one large fundraising gala. Revenue for raffle tickets is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the tickets to an individual. Raffle tickets are sold in advance of the drawing and deferred as contract liabilities until earned when the drawing is held. Revenue is recognized at the point in time which the raffle is held. Registration fees for the gala are billed to participants at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrants access to the events and event activities. Revenue from these events are recognized at the point in time the event is held and the Organization's performance obligation to hold the event is complete. The Organization also provides the opportunity to sponsor events. Registration and sponsorships for the Organization's events opens months before the events are scheduled to be held. Receipts and sponsorships collected in advance of the special events are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized. At June 30, 2020 and 2019, there were no assets or obligations related to revenue from contracts with customers for fundraising or raffle income. For the years ended June 30, 2020 and 2019, fundraising and raffle income was \$334,832 and \$424,466, respectively.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE N - Revenue From Contracts with Customers (continued)

Food and Beverage Income

The Organization sells food and beverages during the performances. Food and beverage sales revenue is billed at the point of sale. Revenue is recognized as the performance obligations are satisfied. Performance obligations are considered to be satisfied at the time the services are performed. Food and Beverage Income for the years ended June 30, 2020 and 2019, was \$672,245 and \$908,643, respectively.

Historic Restoration Building Fee Income

The Organization adds a \$2 historic restoration building fee with each ticket sold for shows. Fees go to help maintain performance spaces, administrative offices, and shops. Historic Restoration Building Fee revenue is recognized at the point in time that the ticket is sold. For the years ended June 30, 2020 and 2019, Historic Restoration Building Fee Income was \$309,898 and \$324,250, respectively.

NOTE O - Operating Lease

The Organization has an operating lease for warehouse space which provides for monthly rental payments. The original term of the lease expired in 2014 and continues on a month-to-month basis with annual increases in rent of 3%, currently at \$2,217 per month. Rental expense for this warehouse for the year ended June 30, 2020, was \$25,839.

The Organized entered into a lease beginning July 1, 2019 and expired June 30, 2020 for additional space for the education team. Monthly rent was \$1,125. Total rent expense for the new lease was \$13,500 for the year ended June 30, 2020.

The Organization entered into a five-year agreement to rent out theater space under an operating lease that expires on December 2020. The annual rental fee is the greater of \$140,000 or 16% of gross admission revenue. In addition, the Organization is required to pay an annual historic preservation fee. Rental expense for the year ended June 30, 2020, was \$216,422.

The following is a schedule by years of the future minimum payments required under the lease as of June 30, 2020:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2021 | <u>\$172,500</u> |
| Total | <u>\$172,500</u> |

NOTE P - Line of Credit

The Organization has a \$750,000 line of credit with an interest rate of LIBOR plus 2.75% and collateralized by all business assets. The note does not have a maturity date, however, the lender may demand payment upon 90 days' notice to borrower at any time prior to payment in full and for any reason or no reason. No funds were drawn on the line during the years ended June 30, 2020 and 2019.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE Q - Pension Plans

Employees are covered by several different plans. These plans include five multiemployer defined benefit pension plans, a multiemployer defined contribution pension plan, and a tax sheltered annuity plan.

Equity actors and stage managers belonging to Actors Equity Association are covered by a union pension plan administered by the Equity League Pension and Welfare Trust. The theater pays 8% of the actor's salary for pension benefits. The theater also contributed a percentage, ranging from 0.5% to 1.25%, of minimum weekly salaries to the defined contribution Equity-League 401(k) Trust Fund for the Equity members.

The defined benefit pension plan, Stage Employees Local No. 18 Retirement Plan, for the stagehands is administered by the Milwaukee Theatrical Stage Employees. The theater pays 10% of the stagehands' salary for pension coverage.

The pension plan for the directors is the SDC - League Pension Fund. The theater pays 8% of the director's salary for pension coverage.

The pension plan for the designers is the United Scenic Artists Local 829 Pension Fund. The theater pays 9.50% of the designer's salary for pension coverage.

Operating engineers are covered by the Central Pension Fund of the International Union Of Operating Engineers and Participating Employers. The theater pays 7% of regular hourly pay.

Full-time, full-season, and year-round employees not covered under a union sponsored pension plan are eligible to participate in the Milwaukee Repertory Theater, Inc.'s tax-sheltered annuity plan. Under this plan, beginning in their third consecutive year of full-time employment, Milwaukee Repertory Theater, Inc. contributes a percentage of regular earnings, as approved by the Board of Directors, to a tax-deferred annuity account for the employee. During the year ended June 30, 2020, Milwaukee Repertory Theater, Inc. made contributions of 3% of gross salary to the annuity fund.

Total pension plan contributions for the fiscal year ended June 30, 2020, were \$288,718.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE Q - Pension Plans (continued)

As noted above, the Organization contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Organization chooses to stop participating in some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization's participation in these plans for the annual period ended June 30, 2020, is outlined in the table below. The "EIN/Pension Plan #" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available is for the plan's fiscal year-end noted below. The zone status is based on information that the Organization received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The second to last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. None of the union contracts require minimum contributions to a plan. Employer contributions are not greater than 5% of any total plan contributions per the plan's most recently available annual report.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE Q - Pension Plans (continued)

Multiemployer defined benefit pension plans are abbreviated as follows:

| <u>Plan</u> | <u>Abbreviation</u> |
|--|---------------------|
| Stage Employees Local No. 18 Retirement Plan | Stage |
| The Equity - League Pension Plan | Equity |
| SDC - League Pension Fund | SDC |
| United Scenic Artists Local 829 Pension Fund | USA |
| Central Pension Fund of the International Union Of Operating Engineers and Participating Employers | Engineers |

| Pension Fund | EIN/Pension Plan # | PPA Zone Status 2014 | FIP/RP Status | | Contributions in current year | Surcharge Imposed | Expiration Date Year | Fiscal end |
|-----------------|-----------------------|-------------------------|-------------------------|--|----------------------------------|----------------------|-------------------------|---------------|
| | | | Pending/ Implemented | | | | | |
| Stage | 39-6224262-001 | Green | None | | \$65,436 | No | 6/30/22 | Dec |
| Equity | 13-6696817-001 | Green | None | | 66,582 | No | 2/13/22 | May |
| SDC | 13-6634482-001 | Yellow | Yes | | 8,087 | No | 4/14/22 | Aug |
| USA | 13-1982707-001 | Green | None | | 13,058 | No | 6/30/22 | Dec |
| Engineers | 36-6052390-001 | Green | None | | 12,120 | No | 6/30/21 | Jan |

NOTE R - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2020, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE S - Special Projects

The Theater expanded its fund-raising efforts to raise additional funds, in fiscal year 2016, for its permanently restricted endowment fund and for a new temporarily restricted Special Projects Fund for the creation of a new production of A Christmas Carol to debut in December 2016, a New Play Development Program, a complete renovation of the Stackner Cabaret and the Theater's Community Engagement Programs. Donor restricted net assets of the Special Projects Fund as of June 30, 2020 and 2019, were \$2,433,261 and \$2,442,361, respectively.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE T - Related Parties

The Organization used playwright services from a member of the board of directors. Total payments of \$10,000 and \$36,892 were made as of June 30, 2020 and 2019, respectively.

The Organization used construction services from a member of the board of directors. Total payments of \$2,595 and \$350,795 were made as of June 30, 2020 and 2019, respectively.

NOTE U - Subsequent Events

The Organization has evaluated events and transactions occurring after June 30, 2020, the date of the most recent statement of financial position, through the date financial statements are available to be issued, November 5, 2020, for possible adjustment to the financial statements or disclosure and determined that the following subsequent event needs to be disclosed:

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses and nonprofit organizations. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the closings. The Organization may be affected by reduced funding or donations as well as postponement of productions and fundraising events. It is unknown at this time what, if any, negative impact on the Organization's financial position may be.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
SCHEDULE OF WITHOUT DONOR RESTRICTED ACTIVITIES RECONCILED TO OPERATING BUDGET
FOR THE YEAR ENDED JUNE 30, 2020**

Milwaukee Repertory Theater, Inc. budgets its operations on a traditional fund accounting basis. The Board of Directors makes certain resources available to the management for day-to-day operations and designates other resources for longer term purposes. A reconciliation of unrestricted functional operating revenue and expenses to operating results as budgeted follows:

| | |
|---|------------------------------|
| Change in Without Donor Restricted Operating Net Assets | \$ 222,928 |
| Depreciation Expense | 813,814 |
| Purchase of Fixed Assets From Operating Resources | (171,754) |
| Theater Fund Resources Expended on Fixed Assets | (222,894) |
| Net Contributed Revenue from Capital Projects | (214,492) |
| Net Contributed Revenue from Cash Reserve | (156,492) |
| Affiliate Activity (Friends of Milwaukee Repertory Theater, Inc.) | <u>(3,494)</u> |
| NET OPERATING SURPLUS | <u><u>\$ 267,616</u></u> |