MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Years Ended August 31, 2023 and 2022

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**MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES**
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milwaukee Symphony Orchestra, Inc. and Subsidiaries

Report on Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Milwaukee Symphony Orchestra, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Milwaukee Symphony Orchestra, Inc. and Subsidiaries (Organization) as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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 is the responsibility of management and, except for that portion marked “unaudited,” was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, accordingly, we do not express an opinion or provide any assurance on it.

Other Information

Management is responsible for the other information included in the annual report. The other information does not include the basic financial statements and our auditor’s report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Sikich LLP

Brookfield, Wisconsin
November 30, 2023

CONSOLIDATED FINANCIAL STATEMENTS

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of August 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 3,469,700	$ 3,852,025
Cash - restricted for capital projects	596,230	1,302,238
Total cash	4,065,930	5,154,263
Receivables:		
Accounts and other receivable	197,447	1,115,703
Contributions receivable, net	6,570,324	11,256,291
Total receivables, net	6,767,771	12,371,994
Prepaid expenses	652,430	662,006
Operating right-of-use assets	522,055	-
Property and equipment, net	90,636,511	94,586,810
Beneficial interest in net assets in perpetual trust	26,218,516	21,004,706
TOTAL ASSETS	$ 128,863,213	$ 133,779,779
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 2,541,805	$ 3,415,931
Line of credit	570,200	1,000,000
Deferred revenue, net of prepaid sales tax of $103,331 and $103,291 in 2023 and 2022, respectively	2,490,514	1,983,049
Operating lease liability	520,477	-
Notes payable, net	4,982,729	8,827,669
Liability for pension benefits	1,412,736	2,650,527
Other	-	7,044
Total liabilities	12,518,461	17,884,220
NET ASSETS		
Without donor restrictions	73,654,139	73,126,781
Non-controlling interest in for profit entities	9,305,543	9,205,543
Total net assets without donor restrictions	82,959,682	82,332,324
With donor restrictions	33,385,070	33,563,235
Total net assets	116,344,752	115,895,559
TOTAL LIABILITIES AND NET ASSETS	$ 128,863,213	$ 133,779,779

See accompanying notes to consolidated financial statements.

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Performance revenue, net of sales tax of $212,098 (Schedule I)	$ 4,185,571	$ -	$ 4,185,571
Other revenues (Schedule II)	733,918	-	733,918
Contributions (Schedule III)	11,656,622	1,031,910	12,688,532
Special event revenues, net of costs of direct benefit to donors of $112,127 (Schedule III)	246,723	-	246,723
In-kind contributions (Schedule III)	371,454	-	371,454
Other support (Schedule III)	362,211	-	362,211
Increase in the beneficial interest in net assets in perpetual trusts - distributions (Schedule III)	1,097,316	-	1,097,316
Interest and dividend income	32,777	-	32,777
Total operating revenues	18,686,592	1,031,910	19,718,502
NET ASSETS RELEASED FROM RESTRICTION (SCHEDULE III)	6,423,885	(6,423,885)	-
Total operating revenues and net assets released from restriction	25,110,477	(5,391,975)	19,718,502
EXPENSES			
Program services:			
Concerts	16,767,311	-	16,767,311
Education	437,279	-	437,279
Total program expenses	17,204,590	-	17,204,590

(This statement is continued on the following page.)

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)

For the Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES (Continued)			
Management and general	$ 6,934,640	$ -	$ 6,934,640
Fundraising	1,453,445	-	1,453,445
Total operating expenses	25,592,675	-	25,592,675
Operating expenses in excess revenues and net assets released from restriction	(482,198)	(5,391,975)	(5,874,173)
OTHER CHANGES IN NET ASSETS			
(Loss) on disposal of fixed assets	(3,570)	-	(3,570)
Increase in the beneficial interest in net assets in perpetual trusts	-	5,213,810	5,213,810
Pension-related items other than net periodic pension costs	1,013,126	-	1,013,126
Change in net assets	527,358	(178,165)	349,193
NET ASSETS, BEGINNING OF YEAR	82,332,324	33,563,235	115,895,559
Contributions to Master Tenant	100,000	-	100,000
NET ASSETS, END OF YEAR	$ 82,959,682	$ 33,385,070	$ 116,344,752

See accompanying notes to consolidated financial statements.

**MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Performance revenue, net of sales tax of $228,577 (Schedule I)	$ 4,506,292	$ -	$ 4,506,292
Other revenues (Schedule II)	314,079	-	314,079
Contributions (Schedule III)	8,382,679	9,368,885	17,751,564
Special event revenues, net of costs of direct benefits to donors of $155,040 (Schedule III)	193,349	-	193,349
In-kind contributions (Schedule III)	171,208	-	171,208
Government support (Schedule III)	3,148,943	-	3,148,943
Increase in the beneficial interest in net assets in perpetual trusts - distributions (Schedule III)	959,404	-	959,404
Interest and dividend income	206,987	-	206,987
Total operating revenues	17,882,941	9,368,885	27,251,826
NET ASSETS RELEASED FROM RESTRICTION (Schedule III)	27,120,364	(27,120,364)	-
Total operating revenues and net assets released from restriction	45,003,305	(17,751,479)	27,251,826
EXPENSES			
Program services:			
Concerts	15,845,854	-	15,845,854
Education	507,298	-	507,298
Total program expenses	16,353,152	-	16,353,152

(This statement is continued on the following page.)

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)

For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES (Continued)			
Management and general	$ 6,527,015	$ -	$ 6,527,015
Fundraising	1,652,436	-	1,652,436
Total operating expenses	24,532,603	-	24,532,603
Operating revenues and net assets released from restriction in excess of operating expenses	20,470,702	(17,751,479)	2,719,223
OTHER CHANGES IN NET ASSETS			
Grant revenue - Employee Retention Credit	369,978	-	369,978
Gain on disposal of fixed assets	2,000	-	2,000
(Decrease) in the beneficial interest in net assets in perpetual trusts	-	(3,496,655)	(3,496,655)
Pension-related items other than net periodic pension costs	(251,052)	-	(251,052)
Change in net assets	20,591,628	(21,248,134)	(656,506)
NET ASSETS, BEGINNING OF YEAR	54,769,970	54,811,369	109,581,339
Contributions to Master Tenant	6,970,726	-	6,970,726
NET ASSETS, END OF YEAR	$ 82,332,324	$ 33,563,235	$ 115,895,559

See accompanying notes to consolidated financial statements.

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2023

	Concerts	Education	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and benefits	$ 10,568,095	$ 208,356	$ 10,776,451	$ 1,086,834	$ 906,056	$ -	$ 12,769,341
Payroll taxes	811,955	14,724	826,679	60,238	67,834	-	954,751
Contracted fees and services	1,718,134	132,901	1,851,035	391,893	240,397	-	2,483,325
Printing and postage	36,045	7,989	44,034	27,045	50,609	-	121,688
Office supplies	41,954	-	41,954	53,349	25	-	95,328
Travel	21,559	-	21,559	6,442	8,462	-	36,463
Telephone and internet	156,931	-	156,931	105,351	874	-	263,156
Meeting, meals and entertainment	12,349	3,516	15,865	13,381	31,658	112,127	173,031
Occupancy	1,469,661	-	1,469,661	499,463	52,573	-	2,021,697
Depreciation	-	-	-	3,666,147	-	-	3,666,147
Insurance	46,358	-	46,358	69,109	-	-	115,467
Theater rental and production equipment rental	696,862	46,836	743,698	10,710	1,750	-	756,158
Music and royalty fees	84,760	-	84,760	40,187	13,104	-	138,051
Credit card fees	3,516	-	3,516	2,989	64,768	-	71,273
Subscriber event catering and entertainment	993,098	-	993,098	101,734	2,658	-	1,097,490
Advertising, promotions and sales	80,610	-	80,610	28,078	-	-	108,688
Interest expense	25,424	22,957	48,381	336,158	12,677	-	397,216
Miscellaneous	-	-	-	435,532	-	-	435,532
	$ 16,767,311	$ 437,279	$ 17,204,590	$ 6,934,640	$ 1,453,445	$ 112,127	$ 25,704,802

See accompanying notes to consolidated financial statements.

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2022

	Concerts	Education	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and benefits	$ 10,056,994	$ 257,705	$ 10,314,699	$ 1,141,051	$ 898,753	$ -	$ 12,354,503
Payroll taxes	738,325	18,465	756,790	73,012	65,769	-	895,571
Contracted fees and services	1,780,642	93,599	1,874,241	253,393	243,747	-	2,371,381
Printing and postage	39,892	3,221	43,113	16,349	56,839	-	116,301
Office supplies	53,625	179	53,804	117,368	945	-	172,117
Travel	14,278	-	14,278	3,932	983	-	19,193
Telephone and internet	78,854	498	79,352	10,121	17,520	-	106,993
Meeting, meals and entertainment	3,575	1,983	5,558	28,525	60,684	155,040	249,807
Occupancy	1,332,765	49,523	1,382,288	601,410	144,525	-	2,128,223
Depreciation	60,709	1,382	62,091	3,516,609	6,296	-	3,584,996
Insurance	52,153	-	52,153	61,025	-	-	113,178
Theater rental and production equipment rental	662,144	59,315	721,459	-	10,022	-	731,481
Music and royalty fees	76,319	-	76,319	-	22,539	-	98,858
Credit card fees	3,156	40	3,196	4,535	105,051	-	112,782
Subscriber event catering and entertainment	825,398	-	825,398	-	-	-	825,398
Advertising, promotions and sales	25,281	374	25,655	2,690	9,128	-	37,473
Interest expense	41,544	18,174	59,718	652,696	9,635	-	722,049
Miscellaneous	200	2,840	3,040	44,299	-	-	47,339
	$ 15,845,854	$ 507,298	$ 16,353,152	$ 6,527,015	$ 1,652,436	$ 155,040	$ 24,687,643

See accompanying notes to consolidated financial statements.

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 449,193	$ 6,314,220
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	3,666,147	3,584,996
Amortization of loan fees to interest	5,060	5,060
(Gain) loss on disposal of fixed assets	3,570	(2,000)
Bad debt expense	51,966	20,205
Contributions restricted for long-term investment	-	(3,521,094)
Non-cash operating lease expense	(1,578)	-
Loss on impairment of operating right-of-use assets	190,402	-
Change in liability for pension benefits	(1,237,791)	(18,973)
Decrease (increase) in:		
Prepaid expenses	9,576	(384,609)
Receivables	1,299,865	(1,988,246)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,064,528)	(3,899,235)
Deferred revenue, net of prepaid sales tax	507,465	63,027
Refundable grant advance	-	(1,746,258)
Net cash provided by (used in) operating activities	3,879,347	(1,572,907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from beneficial interest in net assets of perpetual trusts	1,097,316	959,404
Change in beneficial interest in net assets in perpetual trusts	(6,311,126)	2,537,251
Purchase of fixed assets	(26,418)	(1,068,057)
Refund of construction deposit	307,000	-
Net cash (used in) provided by investing activities	(4,933,228)	2,428,598

(This statement is continued on the following page.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended August 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long term purposes	$ 4,252,392	$ 15,823,659
Repayments on notes payable	(3,857,044)	(20,678,373)
Repayments of bank line of credit	(1,790,000)	(500,000)
Proceeds from bank line of credit	1,360,200	1,500,000
Net cash (used in) financing activities	(34,452)	(3,854,714)
NET (DECREASE) IN CASH AND RESTRICTED CASH	(1,088,333)	(2,999,023)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	5,154,263	8,153,286
CASH AND RESTRICTED CASH, END OF YEAR	$ 4,065,930	$ 5,154,263
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash	$ 3,469,700	$ 3,852,025
Cash - restricted for capital projects	596,230	1,302,238
	$ 4,065,930	$ 5,154,263
Cash payments for interest	$ 397,216	$ 893,880

See accompanying notes to consolidated financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Milwaukee Symphony Orchestra, Inc. and Subsidiaries (collectively the Organization) consists of not-for-profit and for-profit entities organized to maintain a symphony orchestra and to present orchestral performances in the City of Milwaukee and elsewhere in order to further the cultivation and appreciation of the art of music.

Principles of Consolidation

The accompanying consolidated financial statements of the Organization include the accounts of the Milwaukee Symphony Orchestra, Inc. (the Orchestra) and the Orchestra's wholly owned subsidiary: TNSH Manager, LLC (Manager) and Manager's subsidiaries: TNSH Landlord, LLC (Landlord) and TNSH Master Tenant, LLC (Tenant), which the Orchestra has both control and economic interest in. All significant inter-organizational transactions have been eliminated.

TNSH Manager, LLC, a Wisconsin limited liability company, is wholly owned by the Milwaukee Symphony Orchestra, Inc. and was formed to provide management services to Landlord and Tenant.

TNSH Landlord, LLC, a Wisconsin limited liability company, is owned 1% by the Orchestra and 99% by Manager and was formed to acquire, own and develop the Warner Grand Theatre (the new symphony hall), which upon opening is intended to serve as the new performance venue and offices of the Orchestra.

TNSH Master Tenant, LLC, a Wisconsin limited liability company, pursuant to the new amended and restated operating agreement dated December 31, 2018, is owned 1% by Manager, general partner, and 99% by a third party, limited partner, and was formed to serve as sub-landlord of the Warner Grand Theatre.

The non-controlling interest represents the 99% limited-partner ownership by a third party in TNSH Master Tenant, LLC. This includes capital investment contributions, the proportionate share of income, gains and losses as well as distributions, if any.

Measure of Operations

Transactions deemed by management to be directly related to the programs of the Organization are reported as operating revenues and expenses. Nonoperating activities consist of pension related costs and the beneficial interest in perpetual trusts.

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

Method of Accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

The consolidated financial statements focus on the Organization as a whole, and net assets, revenues, grants, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and are not subject to donor-imposed restrictions or Board imposed stipulations.

With Donor Restrictions: Net assets subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those restrictions or are required to be held in perpetuity. Revenue that is restricted by the donor 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.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets with donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions in the period in which the restriction has been met.

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, 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.

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

Cash

Cash includes bank depository account balances and money market funds not held by external investment managers.

The Organization maintains its cash at two financial institutions which, at times, may exceed federally insured limits. At August 31, 2023 and 2022, the balance of deposits exceeded FDIC limits by approximately $3,247,000 and $4,180,000, respectively. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

During 2023 and 2022, the Organization received payments on donor-imposed restricted pledges. The cash received by the Organization, which is restricted by the donors for capital projects, is held in a separate account from operating cash.

Accounts and Other Receivables

Accounts and other receivables consist of ticket receivables, employee receivables, and related party receivables. Based on management's judgment and analysis of the credit worthiness of the donors, past collection experience, and other relevant factors, management has determined an allowance is not necessary for August 31, 2023 and 2022. However, actual write-offs may occur.

Contributions Receivable

Contributions receivable due in less than one year are recorded at their net realizable value. Contributions 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 contributions are recognized only when the conditions on which they depend are substantially met and the contribution becomes unconditional.

Revenue Recognition

Contributions

Unconditional promises to give cash and other assets to the Organization 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.

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

Revenue Recognition (Continued)

Contributions (Continued)

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. There were no conditional contributions as of August 31, 2023 and 2022.

Grant Revenue

A portion of the Organization's revenue is derived from grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are conditional and not recognized as revenue until the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received in advance are reported on the consolidated statements of financial position as a refundable grant advance until the allowable qualifying expenses are incurred.

Contributions In-Kind

The Organization 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 or expenses and revenue at their estimated fair market value on the date the assets are contributed. The Organization's policy is to sell all donated securities as soon as administratively feasible after they are received.

Revenue from Contracts with Customers

Performance Revenue

Revenue from Orchestra performances consist of ticket sales, which are non-refundable. Payment for ticket sales are due at the time of purchase. All single tickets, subscriptions and sponsorships are paid in advance of the event. Performance obligations associated with the Orchestra performances are satisfied upon execution of the performance which is at a point in time. Advance sales are deferred until the execution of the associated performance and are included in the consolidated statements of financial position as deferred revenue.

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

Revenue from Contracts with Customers (Continued)

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 received in return is recognized when the related events are held, and performance obligations are met. The excess amount over commensurate value is considered a contribution and is recognized at the point in time when the related events are held.

Contract Assets and Liabilities

Contract liabilities consist of deferred performance revenue which consist of advance ticket sales and are liquidated when the performances are executed. Contract liabilities are included on the consolidated statements of financial position as deferred revenue. Contract liabilities were $2,490,514, $1,983,049, and $1,920,022 for the years ended August 31, 2023, 2022 and 2021, respectively. There are no contract assets.

All revenue from contracts with customers are recognized at a point in time. There are no significant judgments in the recognition of revenue from contracts with customers. Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services and availability of labor.

Furniture, Equipment, and Computer Hardware and Software

Fixed assets are stated at cost. The Organization capitalizes all assets greater than $5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the fixed assets.

Leases

The Organization leases office space and a parking lot. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other accrued liabilities, and operating lease liabilities 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, the Organization uses a risk-free rate based on the information available at the 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.

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

Leases (Continued)

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.

The Organization has elected to apply the short-term lease exemption to two classes of underlying assets: music and rehearsal rentals. The short-term lease cost recognized and disclosed for those leases for the year ending August 31, 2023 is approximately $69,000. There are no future payments due under the agreements for the fiscal year August 31, 2024.

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

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain classes of leases, such as real estate, the Organization 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 and utilities that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the Organization 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.

Prepaid Expenses

Expenditures related to future performances, including direct response advertising costs and expenses related to telemarketing, are deferred and charged to expense in the fiscal year in which the related performances occur (which generally is the succeeding year). Prepaid advertising costs related to future performances were approximately $413,000 and $300,500 in 2023 and 2022, respectively.

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

Advertising Cost

Advertising expense for the years ended August 31, 2023 and 2022 was \$820,350 and \$763,922, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expense. Expenses that can be identified with a specific program or supporting service are charged to the program or supporting service. Accordingly, certain costs which apply to more than one functional category have been allocated based on estimates made by management. Salaries and benefits and payroll taxes are allocated to the programs based on time and effort. Indirect administrative expenses such as printing and postage, office supplies, telephone and internet and insurance are charged to the programs according to a cost allocation plan based on a percentage of total expenses. Depreciation and occupancy are allocated based on square footage.

Income Taxes

The Orchestra is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code as other than a private foundation and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the code.

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

TNSH Landlord, LLC, TNSH Manager, LLC and TNSH Master Tenant, LLC were each formed as Limited Liability Companies (LLC). TNSH Landlord is treated as a partnership and TNSH Manager, LLC and TNSH Master Tenant, LLC are treated as corporations for income tax purposes. Under this election, profits and losses are passed directly to the members for inclusion in their income tax returns. The LLC’s do not pay corporate income taxes on their income, although they may be subject to certain local taxes and other state fees. Accordingly, no liability or provision for federal or state income taxes is included in the accompanying consolidated financial statements. Management has evaluated the LLC’s tax positions and concluded that no reserve for uncertain tax positions was considered necessary as any additional tax asset or liability is passed through to the members. The LLC’s each file income tax returns in federal and state jurisdictions.

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

Concentration of Business Risks

For the years ended August 31, 2023 and 2022, approximately 51% and 45%, respectively, of the Orchestra's labor force is under collective bargaining agreements, whose contract ends on August 31, 2023.

New Accounting Pronouncements

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

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

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

As a result of the adoption of the new lease accounting guidance, the Organization recognized on September 1, 2022, a lease liability of $1,062,581, which represents the present value of the remaining operating lease payments of $1,181,484, discounted using a risk-free rate of 3.33% and a right-of-use asset of $1,062,581, which represents the operating lease liability of $1,127,019 adjusted for accrued rent of $64,438.

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

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 statements of financial position date, comprise the following:

	2023	2022
Cash and cash restricted for capital projects	$ 4,065,930	$ 5,154,263
Accounts and other receivable	197,447	1,115,703
Contribution receivable	6,570,324	11,256,291
Beneficial interest in net assets in perpetual trust	26,218,516	21,004,706
Total financial assets and liquid resources	37,052,217	38,530,963
Less: Donor imposed restrictions	(33,385,070)	(33,563,235)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	$ 3,667,147	$ 4,967,728

The Organization 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.

As of August 31, 2023, the Orchestra also has available a $1,500,000 line of credit for operating expenses. See Note 7.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of pledges from private foundations, corporations, and individual donors. Net contributions receivable are summarized as follows:

	2023	2022
Total contributions receivable	$ 7,004,318	$ 11,924,686
Less: Allowance for doubtful contributions receivable	(35,000)	(35,000)
Net contributions receivable	6,969,318	11,889,686
Less: Adjustment to present value for future cash flows from contributions receivable	(398,994)	(633,395)
PRESENT VALUE OF NET CONTRIBUTIONS RECEIVABLE	$ 6,570,324	$ 11,256,291

3. CONTRIBUTIONS RECEIVABLE (Continued)

The discount rate used to determine the present value of contributions receivable is a risk adjusted rate between 2.15% and 6.54%. The Orchestra wrote off uncollectible contributions of approximately $52,000 and $20,200 in 2023 and 2022, respectively.

Payments on contributions receivable as of August 31, 2023 are estimated to be received as follows:

2024	$ 4,293,150
2025	971,431
2026	413,800
2027	912,300
2028	117,300
Thereafter	296,337
TOTAL CONTRIBUTIONS RECEIVABLE	$ 7,004,318

4. PROPERTY AND EQUIPMENT

Major classes of fixed assets as of August 31 and estimated useful lives are as follows:

	2023	2022	Years
Buildings	$ 93,325,968	$ 92,973,408	39
Furniture and equipment	4,773,012	4,811,559	5
Hardware and software	613,803	614,372	3-5
Leasehold improvements	18,518	83,718	10
Depreciable instruments	585,157	569,115	5-25
Nondepreciable instruments	4,626	4,626	
Land	1,500,000	1,500,000	
Construction in progress	-	812,024	
Total property and equipment	100,821,084	101,368,822	
Less: Accumulated depreciation	(10,184,573)	(6,782,012)	
NET PROPERTY AND EQUIPMENT	$ 90,636,511	$ 94,586,810	

Depreciation expense for 2023 and 2022 totaled approximately $3,666,000 and $3,585,000, respectively.

5. BENEFICIAL INTEREST IN NET ASSETS IN PERPETUAL TRUSTS

Foundation Trust

The Milwaukee Symphony Orchestra Foundation Trust (the Foundation) was established to hold and invest funds and to contribute the income for the benefit of the Orchestra while retaining the buying power of the principal. The board of trustees of the Foundation is independent of and separate from the board of directors of the Orchestra. The assets of the Foundation are invested in various securities.

The amount distributed to the Orchestra is based on the total return concept. Using this concept, the Foundation makes distributions based on a three-year average investment balance determined on a market value basis.

The specified distribution rate for 2023 and 2022 was 5% of this average. The amount distributed from the Foundation for 2023 and 2022 was $1,015,288 and $880,078, respectively, and is recorded separately in the accompanying consolidated statements of activities.

Endowment Trust

The Milwaukee Symphony Orchestra Endowment Trust (Endowment) was established for the sole purpose of providing support to the Orchestra. The board of trustees of the Endowment is independent of and separate from the board of directors of the Orchestra. The assets of the Endowment are invested in various securities. In accordance with the Endowment Indenture, the net assets without donor restriction available for distribution to the Orchestra are at the sole and absolute discretion of the trustees of the Endowment. The Endowment made a discretionary distribution to the Orchestra of $82,028 and $79,326 during 2023 and 2022, respectively.

The Foundation and Endowment hold financial instruments which are carried at fair value in accordance with GAAP, which establishes a hierarchy used to measure fair value (see Note 6).

The Orchestra has recognized its interest in the Foundation and Endowment based on the underlying net assets with donor restrictions of the trusts, as follows:

	2023	2022
Foundation net assets	$ 24,335,100	$ 18,982,388
Endowment net assets	1,883,416	2,022,318
NET ASSETS RESTRICTED IN PERPETUITY	$ 26,218,516	$ 21,004,706

5. BENEFICIAL INTEREST IN NET ASSETS IN PERPETUAL TRUSTS (Continued)

Greater Milwaukee Foundation

The Orchestra is the sole income beneficiary of an agency endowment fund held by the Greater Milwaukee Foundation, a community foundation unrelated to the Orchestra. As of August 31, 2023 and 2022, the fair value of the net assets held by the Greater Milwaukee Foundation in the agency endowment fund has been reported by the Greater Milwaukee Foundation to be $11,031,975 and $6,563,425, respectively. Distribution of investment income to the Orchestra is made on a quarterly basis. The Orchestra's interest in the agency endowment fund at the Greater Milwaukee Foundation is not recognized on the Orchestra's financial statements because the board of directors of the Greater Milwaukee Foundation has variance power over substantially all of these assets.

The amount distributed from the assets held by the Greater Milwaukee Foundation for which the Orchestra is the designated beneficiary for the years ended August 31, 2023 and 2022 was $252,008 and $248,596, respectively, and is reported as a component of contribution revenue in the accompanying consolidated statements of activities.

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 Organization 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; quotes 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 without readily determined fair values measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

6. FAIR VALUE MEASUREMENT (Continued)

The Organization 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 August 31, 2023 and 2022.

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 August 31, 2023 and 2022.

Beneficial Interest in Perpetual Trusts: Valued using the fair value of the assets held in the trust reported by the trustee as of August 31, 2023 and 2022. The Organization considers the measurement of its beneficial interest in the perpetual charitable trusts to be Level 3 measurements within the hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

Recurring Measurements

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

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Beneficial interest in perpetual trusts:				
Foundation trust	$ -	$ -	$ 24,335,100	$ 24,335,100
Endowment trust	-	-	1,883,416	1,883,416
TOTAL ASSETS AT FAIR VALUE	$ -	$ -	$ 26,218,516	$ 26,218,516

6. FAIR VALUE MEASUREMENT (Continued)

Recurring Measurements (Continued)

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Beneficial interest in perpetual trusts:				
Foundation trust	$ -	$ -	$ 18,982,388	$ 18,982,388
Endowment trust	-	-	2,022,318	2,022,318
TOTAL ASSETS AT FAIR VALUE	$ -	$ -	$ 21,004,706	$ 21,004,706

Unobservable (Level 3) Inputs

The activity for the beneficial interest in perpetual trusts, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs), is as follows:

	2023	**2022**
BALANCE, BEGINNING OF YEAR	$ 21,004,706	$ 24,501,361
Distribution from beneficial interest	(1,097,316)	(959,404)
Change in beneficial interest	6,311,126	(2,537,251)
BALANCE, END OF YEAR	$ 26,218,516	$ 21,004,706

The change in value of the beneficial interest is included as a separate line in the consolidated statements of activities.

7. BANK LINE OF CREDIT

The Orchestra has a line of credit with a bank for borrowings up to $1,500,000 secured by a general business security agreement. The agreement is due on demand. Interest is at the bank's prime rate (8.50% and 5.50% at August 31, 2023 and 2022, respectively) plus 0.25%. As of August 31, 2023 and 2022, the outstanding balance was $570,200 and $1,000,000, respectively. The agreement contains various reporting covenants. As of August 31, 2023, the Orchestra believes it is in compliance with these covenants.

8. CONSTRUCTION LOAN AND NOTES PAYABLE

Construction Loan and Note Payable

TNSH Landlord entered into a Construction Loan Agreement in the principal amount of $30,000,000 secured by the new symphony hall. Semi-annual principal payments are due according to the payment schedule below. The note bears interest at 3.50% with interest payments due monthly and will mature on December 17, 2025. The outstanding balance on the note as of August 31, 2023 was $4,993,692, net of unamortized loan acquisition costs of $10,963. The outstanding balance as of August 31, 2022 was $8,843,692, net of unamortized loan costs of $16,023. The agreement contains various loan covenants. The Organization believes it is in compliance with these covenants as of August 31, 2023.

Future maturities of notes payable as of August 31, 2023 are as follows:

2024	$ 1,600,000
2025	3,393,692
TOTAL	$ 4,993,692

9. NET ASSETS

As of August 31, 2023 and 2022 net assets with donor restrictions comprise contributions held for the following:

Fund	2023	2022
Restricted for time or purpose:		
ACE	$ 50,000	$ -
Capital campaign	5,883,118	10,519,067
Education	60,000	-
General operating	759,857	2,490,653
United Performing Arts Fund	340,908	-
Restricted for time	471,665	182,204
Less: Pledge receivable discount	(398,994)	(633,395)
Total restricted for time or purpose	7,166,554	12,558,529
Restricted in perpetuity	26,218,516	21,004,706
TOTAL	$ 33,385,070	$ 33,563,235

10. IN-KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES

In-kind contributions as of August 31, 2023 and 2022 consisted of the following:

	2023	2022
Donated legal fees	$ 87,846	$ 35,927
Other	283,608	135,281
TOTAL IN-KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES	$ 371,454	$ 171,208

The Organization receives contributed services without donor restrictions in the form of legal 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. Legal fees are utilized in the management and general function.

The Organization receives contributions without donor restrictions in the form of discounts on services or assets purchased as well as donated materials and supplies. The donated materials and supplies are utilized and valued at the wholesale prices that would be received for selling similar products with any discount recognized as an in-kind contribution. The donated assets, materials and supplies are utilized in the Organization's program services and fundraising.

11. LEASES

The Organization has operating leases for office space and a parking lot. Leases have remaining lease terms of 1-3 years.

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

Operating lease cost	$ 388,221
Short-term lease cost	114,956
Variable lease cost	146
TOTAL	$ 503,323

During the year ended August 31, 2023, the Organization recognized an impairment loss of $190,402 on certain office space leased by the Organization as a result of moving offices to the new symphony hall. The impairment loss for the year ended August 31, 2023 is included in miscellaneous expense on the consolidated statements of functional expenses.

11. LEASES (Continued)

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

Operating cash flows from operating leases	$	416,379
Weighted average remaining lease term - operating lease		2.3
Weighted average discount rate		3.36%

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

2024	$	240,000
2025		240,000
2026		60,000
Total future minimum lease payments		540,000
Less: Imputed interest		(19,523)
	$	520,477

For the year ended August 31, 2022, which was prior to the adoption of Topic 842, rent expense was approximately $507,000.

12. COMMITMENTS

Labor Agreement Commitment

The Orchestra entered into a four-year agreement with the Milwaukee Musician's Association Local #8 for the period from September 1, 2021 to August 31, 2023. Under the terms of this agreement, the Orchestra is committed to pay base wages of approximately $4,900,000 for the 2023-2024 season. Subsequent to year end, the agreement was extended to August 31, 2025 under similar terms.

Employment Agreements

The Orchestra has executed an employment agreement for the executive director to perform services including management of personnel, fund raising, growth, performance and operations as well as all other duties assigned by the Chair of the Board of Directors. The term of the contract runs for 6 years ending in 2027 with an aggregated commitment of approximately $2,500,000 of which approximately $1,528,000 is outstanding as of August 31, 2023, with approximately $374,600 relating to the 2023-2024 season.

12. COMMITMENTS (Continued)

Employment Agreements (Continued)

As part of this agreement and included in the total commitment above, the key employee is eligible for a retention bonus. Each pay period the Orchestra will invest a percentage of the employee’s base compensation. The employee will have the option of receiving a payout at the end of years 4 and 6. Should employment terminate prior to the end of either year, the employee terminates their eligibility to receive the funds.

The Orchestra has executed an employment agreement for the music director to perform services for the Orchestra. The term of the contract runs for 4 years ending in 2023 with an aggregated commitment of approximately $1,168,000. Subsequent to year end the agreement was extended to August 31, 2026 with an aggregated commitment of approximately $1,003,000.

Levy Food Service Commitment

The Orchestra has executed an agreement with Levy Premium Food Service Limited Partnership for the operations of the food and beverage concessions and catering services at the Bradley Symphony Center. The Term of the contract runs ten years from the date of the first ticketed event. The aggregate commitment is approximately $750,000 of which approximately $367,000 is outstanding as of August 31, 2023, with approximately $75,000 relating to the 2023-2024 season.

13. RETIREMENT PLANS

Pension Plans

The Orchestra has separate noncontributory defined benefit pension plans for musicians and administrative staff (Pension Plans). Both plans provide for monthly pension benefits per participant of $52 for each year of service and 100% vesting after five years of service. The Orchestra's funding policy is to contribute annually the minimum amount required under the Employee Retirement Income Security Act of 1974 (ERISA) or more. Plan assets are invested in a group annuity contract which invests primarily in U.S. government securities, money market funds, and marketable equity securities.

The musicians' and administrative staff’s defined benefit pension plans are frozen; therefore, no new participants have been admitted to the plans, no additional years of service have been credited to any participant, no further benefits have been accrued, and each participant's accrued benefit is considered fully vested and non-forfeitable. All retirement benefits earned under the plan through August 31, 1996 for the musicians’ plan and August 31, 1999 for the administrative staff’s plan are payable to participants upon retirement.

The Orchestra is obligated to make additional contributions for both Defined Benefit Pension Plans in future years, if necessary, to meet ERISA funding requirements.

13. RETIREMENT PLANS (Continued)

Pension Plans (Continued)

The following table sets forth the plans' funded status as of August 31, the actuarial valuation date:

	Measurement date August 31, 2023		
	Musicians	**Staff**	**Total**
Actuarial present value of benefit obligations:			
Accumulated benefit obligation	$ 7,771,966	$ 1,642,693	$ 9,414,659
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	8,951,720	1,795,980	10,747,700
Interest costs	379,732	79,918	459,650
Actuarial loss*	(713,767)	(107,488)	(821,255)
Benefits paid	(845,719)	(125,717)	(971,436)
Projected benefit obligation at end of year	7,771,966	1,642,693	9,414,659
Change in plan assets:			
Fair value of plan assets at beginning of year	6,592,096	1,505,077	8,097,173
Actual return on plan assets	516,849	31,410	548,259
Employer contributions	192,205	135,722	327,927
Benefits paid	(845,719)	(125,717)	(971,436)
Fair value of plan assets at end of year	6,455,431	1,546,492	8,001,923
LIABILITY FOR PENSION BENEFITS	$ (1,316,535)	$ (96,201)	$ (1,412,736)
Assumption used:			
Discount rate	5.30%	5.30%	

*The actuarial loss is a result of increasing the discount rate from 4.63% to 5.30%

	Measurement date August 31, 2023	
	Musicians	**Staff**
Net periodic pension cost comprised the following:		
Interest cost on projected benefit obligation	$ 379,732	$ 79,918
Return on plan assets	(373,689)	(90,516)
Amortization of net loss	81,746	26,071
NET PERIODIC PENSION COST	$ 87,789	$ 15,473
Assumption used:		
Discount rate	5.30 %	5.30 %
Expected long-term rate of return on assets	5.25 %	5.25 %

13. RETIREMENT PLANS (Continued)

Pension Plans (Continued)

	Measurement date August 31, 2022		
	Musicians	**Staff**	**Total**
Actuarial present value of benefit obligations:			
Accumulated benefit obligation	$ 8,951,720	$ 1,795,980	$ 10,747,700
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	10,934,476	2,301,759	13,236,235
Interest costs	266,753	55,408	322,161
Actuarial loss*	(1,423,535)	(450,645)	(1,874,180)
Benefits paid	(825,974)	(110,542)	(936,516)
Projected benefit obligation at end of year	8,951,720	1,795,980	10,747,700
Change in plan assets:			
Fair value of plan assets at beginning of year	8,732,995	1,833,740	10,566,735
Actual return on plan assets	(1,519,388)	(358,658)	(1,878,046)
Employer contributions	204,463	140,537	345,000
Benefits paid	(825,974)	(110,542)	(936,516)
Fair value of plan assets at end of year	6,592,096	1,505,077	8,097,173
LIABILITY FOR PENSION BENEFITS	$ (2,359,624)	$ (290,903)	$ (2,650,527)
Assumption used:			
Discount rate	4.63%	4.63%	

*The actuarial loss is a result of increasing the discount rate from 2.50% to 4.63%

	Measurement date August 31, 2022	
	Musicians	**Staff**
Net periodic pension cost comprised the following:		
Interest cost on projected benefit obligation	$ 266,753	$ 55,408
Return on plan assets	(391,072)	(86,801)
Amortization of net loss	186,621	44,066
NET PERIODIC PENSION COST	$ 62,302	$ 12,673
Assumption used:		
Discount rate	4.63 %	4.63 %
Expected long-term rate of return on assets	5.25 %	5.25 %

13. RETIREMENT PLANS (Continued)

Pension Plans (Continued)

Net periodic pension costs are included in program and management and general expenses on the consolidated statements of activities. Other changes in plan assets and benefit obligation recognized on the consolidated statements of activities are as follows for the years ending:

	August 31, 2023		
	Musicians	Staff	Total
Net actuarial (gain)/loss	$ (856,927)	$ (48,382)	$ (905,309)
Amortization of:			
Actuarial gain/(loss)	(81,746)	(26,071)	(107,817)
TOTAL OTHER PENSION RELATED COSTS	$ (938,673)	$ (74,453)	$ (1,013,126)

	August 31, 2022		
	Musicians	Staff	Total
Net actuarial (gain)/loss	$ 486,925	$ (5,186)	$ 481,739
Amortization of:			
Actuarial gain/(loss)	(186,621)	(44,066)	(230,687)
TOTAL OTHER PENSION RELATED COSTS	$ 300,304	$ (49,252)	$ 251,052

As of August 31, 2023, the actuarial loss for the plan was $3,131,708 of which $96,295 is expected to be amortized in the following fiscal year. As of August 31, 2022, the actuarial loss for the plan was $4,144,834 of which $127,571 is expected to be amortized in the following fiscal year.

The expected long-term rate of return on the Pension Plans' assets was 5.25% for the musician's plan and the staff's plan for 2023 and 2022, respectively. Current market factors such as inflation and interest rates, as well as peer data and historical returns, are considered when determining the long-term rate of return.

All of the Pension Plans' assets, which consists of a group annuity contract, are considered to be Level 2 investments in accordance with the fair value hierarchy. Level 2 assets are traded in less active dealer or broker markets in which valuations are obtained from third party pricing services for identical or similar assets.

13. RETIREMENT PLANS (Continued)

Pension Plans (Continued)

The Orchestra employs a total return on investment approach whereby a mix of equities and fixed income investments are utilized to maximize the long-term rate of return on the Pension Plans' assets for a given level of risk. Risk tolerance is established through consideration of the Pension Plans' liabilities and funded status.

The investment vehicle used is a group annuity contract, which has a portfolio containing a diversified blend of equity and fixed income investments. The Orchestra determines the asset allocation for the asset classes based upon periodic asset/liability reviews and capital market projections.

The Orchestra expects to make a minimum contribution to the musicians' plan of approximately $275,000 and to the staff's plan of $209,000 during 2024.

The following table sets forth the Pension Plans' estimated future benefit payments expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter:

Fiscal Year	Musicians	Staff
2024	$ 826,000	$ 131,000
2025	800,000	129,000
2026	791,000	127,000
2027	760,000	134,000
2028	729,000	132,000
2029-2032	3,141,000	635,000

Defined Contribution Plan

The Orchestra has a defined contribution plan for all full-time administrative employees. Employees are eligible to participate in the plan upon attaining age 21, having worked 1,000 hours, and having completed one full year of employment. The Orchestra matches 50% of employee contributions up to 6%. The Orchestra made contributions of $87,593 and $101,812 to the plan for the years ended August 31, 2023 and 2022, respectively.

Multi-Employer Pension Plan

The contract with the musicians' union also requires that contributions be made to the American Federation of Musicians and Employers' Pension Plan for services rendered by musicians after August 31, 1996. The Pension Plan is a multi-employer pension plan for musicians under union contracts. The plan is administered independently, and contributions are determined in accordance with the provisions of the musicians' labor contract.

13. RETIREMENT PLANS (Continued)

Multi-Employer Pension Plan (Continued)

The Orchestra contributes to the American Federation of Musicians and Employers' union sponsored multiemployer defined benefit pension plan under a collective bargaining agreement. The risk of participating in a multiemployer plan differs from those of single-employer plan in the following aspects:

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

Contributions are determined in accordance with the provisions of negotiated labor contracts and are based upon the number of hours worked by each eligible employee. During the years ended August 31, 2023 and 2022, the Orchestra contributed 7.63% of the musicians' salaries. Information from the plans' administrators is not available to permit the Orchestra to determine its share of unfunded vested benefits, if any. Management does not intend to take any action which would subject it to such a liability.

The Orchestra's participation in these plans for the years ended August 31, 2023 and 2022, is outlined in the table below. The EIN/Plan Number provides the EIN and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2023 and 2022 is for the plan's year beginning during 2022 and 2021. The zone status is based on information that the Organization obtained from the plans. Among other factors, plans in the red zone are less than 65% funded, plans in the yellow zone are between 65-80% funded, and plans in the green zone are more than 80% funded. The FIP/RP Status Pending/Implemented indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last line lists the expiration dates of the collective bargaining agreements to which the plans are subject.

There have been no significant changes that affect the comparability of the 2023 and 2022 contributions.

13. RETIREMENT PLANS (Continued)

Multi-Employer Pension Plan (Continued)

EIN/Plan Number	**American Federation of Musicians & Employers' Pension Fund EIN: 51-6120204 Plan #001**
Pension Protection Act Zone Status	
December 31, 2022	Red
March 31, 2022	Red
FIP/RP Status Pending/Implemented	Yes
Orchestra Contributions - 2023	$416,960
Orchestra Contributions - 2022	$406,404
Collective Bargaining Agreement Exp. Date	8/31/2023

While the status is listed as red, meaning the funded status is less than 65%, the actual funded percentage is greater than 80%. However, the Plan is considered in critical status because the Plan's actuary determined that the Plan is projected to have an accumulated funding deficiency over the next five years. In an effort to improve the Plan's funding situation, the Plan's Board of Trustees adopted a rehabilitation plan on April 15, 2010, which was intended to help the Plan improve its funded status through various benefit reductions and employer contribution increases. In addition, on May 18, 2011, the Plan's Board of Trustees amended the rehabilitation plan to change the maximum term from four years to five years for which pension contributions may be established under any collective bargaining agreement entered into on or after May 1, 2010. The Plan’s Board of Trustees amended the rehabilitation plan again on February 12, 2015, to provide that if a collective bargaining agreement expires while the Plan is still in critical status and the bargaining parties fail to adopt a contribution schedule within 180 days of that expiration then the contribution schedule under the expired collective bargaining agreement is re-implemented. The duration of the rehabilitation plan is indefinite, and the Plan is not expected to emerge from critical status during the 10-year rehabilitation plan period that began April 1, 2013. Under the rehabilitation plan, the Plan is not permitted to pay lump sum benefits while it is in critical status. The employer surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Plan. For the Plan year beginning April 1, 2011, the surcharge was 10% and remains applicable for each year the Plan is in critical status. In June 2018, the rehabilitation plan was modified to require a 10% increase in the rate of contributions to the plan that must be included in any collective bargaining agreements starting August 1, 2018 or later.

14. RELATED PARTY TRANSACTIONS

The Orchestra provides accounting and administrative services to the Endowment and Foundation. The accounting and administrative services are provided at no charge. These services are not considered material and are therefore excluded from the accompanying consolidated financial statements.

14. RELATED PARTY TRANSACTIONS (Continued)

Members of the Orchestra's board of directors serve in management roles of corporations that provide goods and services to the Orchestra, causing these corporations to be related parties. The Orchestra received capital campaign and general operation contributions of approximately $5,500,000 and $500,000 during 2023 and 2022, respectively, from these corporations and members of the board of directors. There were outstanding pledges receivable of approximately $68,000 and $93,000 as of August 31, 2023 and 2022, respectively, from board members of the Orchestra.

Significant purchases of goods and services from related parties are reviewed to ensure such transactions are competitively priced as compared with other goods and services available in the market. There were no purchased services received during 2023 and 2022. During 2023 and 2022, the Orchestra also received approximately $88,000 and $36,000, respectively, of legal services as in-kind donations from two members of the board.

The Orchestra is a party in Milwaukee Arts Partners (MAP), a joint venture with First Stage Children's Theater, Skylight Music Theater, Sharon Lynne Center for the Arts, and Milwaukee Repertory Theater. The primary focus of MAP is to manage and operate the ticketing software, Tessitura, used by all four entities. All revenue and expenses incurred during the years ended August 31, 2023 and 2022 by the Orchestra, which were directly attributable to MAP, were recorded in MAP's financial statements and not recorded within MSO's consolidated financial statements. Accounts receivable from the joint venture was approximately $19,000 and $29,000 as of August 31, 2023 and 2022, respectively.

15. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statements of financial position, but before the consolidated financial statements are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing financial statements (this is recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (this is, non-recognized subsequent events).

The Organization has evaluated subsequent events through November 30, 2023, the date on which the consolidated financial statements were available to be issued. Subsequent to year end certain agreements were extended. See Note 12.

SUPPLEMENTARY INFORMATION

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF TICKET REVENUES

For the Years Ended August 31, 2023 and 2022

Schedule I

	2023	2022
Classical concerts	$ 1,708,049	$ 1,706,628
Pops concerts	1,204,819	1,985,881
High school/youth concerts	95,208	22,915
Virtual concerts	467	15,424
Tour concerts	28,000	52,250
Fee for service	427,717	415,060
Other concerts	933,409	536,711
Gross ticket revenues	4,397,669	4,734,869
Less: Sales tax	(212,098)	(228,577)
NET PERFORMANCE REVENUE	$ 4,185,571	$ 4,506,292

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF OTHER REVENUES

For the Years Ended August 31, 2023 and 2022

Schedule II

	2023	2022
Arts in Community Education (ACE)	$ 62,373	$ 61,438
Event rentals	276,119	118,566
Other activities	5,573	4,851
Miscellaneous income	389,853	129,224
TOTAL OTHER REVENUES	$ 733,918	$ 314,079

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF CONTRIBUTIONS WITHOUT DONOR RESTRICTIONS, OTHER REVENUES, AND NET ASSETS RELEASED FROM RESTRICTION

For the Year Ended August 31, 2023

Schedule III

	Operating Revenue	Net Assets Released from Restriction	Total
Contributions without donor restrictions, including net assets released from restriction for operations:			
Annual campaign	$ 10,283,341	$ 325,588	$ 10,608,929
United Performing Arts Fund	1,121,273	365,891	1,487,164
Greater Milwaukee Foundation - operating support	252,008	-	252,008
Total contributions	11,656,622	691,479	12,348,101
Special events revenue	246,723	-	246,723
In-kind contributions	371,454	-	371,454
Miscellaneous support	362,211	-	362,211
Interest and dividend income	32,777	-	32,777
Increase in the beneficial interest in net assets in perpetual trusts - distributions	1,097,316	-	1,097,316
Capital campaign support	-	5,354,956	5,354,956
Performance revenue (Schedule I)	4,185,571	-	4,185,571
Other revenues (Schedule II)	733,918	377,450	1,111,368
TOTAL OPERATING REVENUES AND NET ASSETS RELEASED FROM RESTRICTION	$ 18,686,592	$ 6,423,885	$ 25,110,477

MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF CONTRIBUTIONS WITHOUT DONOR RESTRICTIONS, OTHER REVENUES, AND NET ASSETS RELEASED FROM RESTRICTION

For the Year Ended August 31, 2022

Schedule III

	Operating Revenue	Net Assets Released from Restriction	Total
Contributions without donor restrictions, including net assets released from restriction for operations:			
Annual campaign	$ 6,490,605	$ 122,287	$ 6,612,892
United Performing Arts Fund	1,632,057	340,908	1,972,965
Greater Milwaukee Foundation - operating support	248,596	-	248,596
Total contributions	8,371,258	463,195	8,834,453
Special events revenue	193,349	-	193,349
In-kind contributions	171,208	-	171,208
Miscellaneous support	540,977	-	540,977
Interest and dividend income	206,987	-	206,987
Increase in the beneficial interest in net assets in perpetual trusts - distributions	959,404	-	959,404
Capital campaign support	-	26,469,517	26,469,517
Performance revenue (Schedule I)	4,506,292	-	4,506,292
Other revenues (Schedule II)	314,079	369,856	683,935
Shuttered venue grant	2,619,387	-	2,619,387
TOTAL OPERATING REVENUES AND NET ASSETS RELEASED FROM RESTRICTION	$ 17,882,941	$ 27,302,568	$ 45,185,509

**MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES**

CONSOLIDATED SCHEDULES OF PRODUCTION EXPENSES

For the Years Ended August 31, 2023 and 2022

Schedule IV

	2023	**2022**
Concert expenses:		
Classical concerts	$ 691,172	$ 854,711
Pops concerts	672,521	875,097
Virtual concerts	-	41,635
Educational and outreach events	250,199	107,269
Tour concerts	21,464	23,553
Other events	504,702	93,293
	2,140,058	1,995,558
Media activities	7,775	31,100
Other (including production staff wage)	1,961,864	2,028,842
TOTAL PRODUCTION EXPENSES	$ 4,109,697	$ 4,055,500

**MILWAUKEE SYMPHONY ORCHESTRA, INC.
AND SUBSIDIARIES**

CONSOLIDATED SCHEDULES OF OPERATIONS (Unaudited)

For the Years Ended August 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Performance revenue net of sales tax	$ 4,185,571	$ 4,506,292
Other revenues	733,918	314,079
Contributions	11,656,622	8,382,679
In kind contributions	305,942	171,208
Special event revenues, net	246,723	193,349
Government support	360,656	2,993,076
Increase in beneficial interest in net assets in perpetual trusts - distributions	1,098,757	959,404
Total operating revenues	18,588,189	17,520,087
Net assets released from restriction: for operations	776,213	9,327,533
Total revenues	19,364,402	26,847,620
EXPENSES		
Program services:		
Concerts	16,767,311	15,845,854
Education	437,279	507,298
Total program expenses	17,204,590	16,353,152
General and administrative:		
Management and general	4,691,000	4,368,222
Fundraising	1,453,445	1,569,651
Total general and administrative expenses	6,144,445	5,937,873
Total operating expenses	23,349,035	22,291,025
Operating revenues and net assets released from restriction in excess of operating expenses	(3,984,633)	4,556,595
OTHER CHANGES IN NET ASSETS		
Pension related items	1,013,126	(251,052)
Capital Campaign	5,647,672	17,710,046
Gain (loss) on disposal of fixed assets	(3,570)	2,000
Grant revenue - Employee retention credit	-	369,978
Change in net assets	2,672,595	22,387,567
NET ASSETS (DEFICIT), BEGINNING OF YEAR	81,752,708	59,365,141
NET ASSETS, END OF YEAR	$ 84,425,303	$ 81,752,708
CAPITAL CAMPAIGN		
Net assets released from restriction	$ 5,647,672	$ 17,792,831
Development expenses	-	(82,785)
	$ 5,647,672	$ 17,710,046