

Wisconsin Chamber Orchestra, Inc.

Financial Report

August 31, 2022



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WISCONSIN CHAMBER ORCHESTRA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wisconsin Chamber Orchestra, Inc.
Madison, Wisconsin

Opinion

We have audited the accompanying financial statements of Wisconsin Chamber Orchestra, Inc., which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Chamber Orchestra, Inc. as of August 31, 2022 and 2021, 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 Financial Statements section of our report. We are required to be independent of Wisconsin Chamber Orchestra, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, 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 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 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 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 Wisconsin Chamber Orchestra, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wisconsin Chamber Orchestra, Inc.'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.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

March 16, 2023

WISCONSIN CHAMBER ORCHESTRA, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 313,564	\$ 575,667
Accounts receivable - Employee retention credit	40,305	179,252
Inventories	1,187	1,187
Unconditional promises to give, short-term	50,635	36,540
Prepaid expenses	0	10,000
Total current assets	405,691	802,646
PROPERTY AND EQUIPMENT, NET	15,342	18,383
OTHER ASSETS		
Certificates of deposit designated for unemployment claims	25,575	25,562
Unconditional promises to give, net, long-term	74,617	115,729
Cash surrender value of donated life insurance	59,290	55,400
Beneficial interest in assets held by MCF	4,887,798	5,396,332
Total other assets	5,047,280	5,593,023
TOTAL ASSETS	<u>\$ 5,468,313</u>	<u>\$ 6,414,052</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 76,827	\$ 57,679
Accrued interest	11,805	10,853
Other accrued expenses	6,371	704
Contract liabilities	76,412	25,666
Total current liabilities	171,415	94,902
LONG-TERM LIABILITIES		
Deferred rent obligation	15,030	16,895
Notes payable	300,000	300,000
Total long-term liabilities	315,030	316,895
TOTAL LIABILITIES	486,445	411,797
NET ASSETS		
Without donor restrictions:		
Designated for agency endowment funds	4,887,798	5,396,332
Undesignated	(119,462)	255,766
Total without donor restrictions	4,768,336	5,652,098
With donor restrictions	213,532	350,157
Total net assets	4,981,868	6,002,255
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,468,313</u>	<u>\$ 6,414,052</u>

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

WISCONSIN CHAMBER ORCHESTRA, INC.

STATEMENT OF ACTIVITIES

Year ended August 31, 2022

	Without donor restrictions	With donor restrictions	Total
Change in net assets:			
Support and revenue:			
Ticket sales	\$ 82,952	\$ 0	\$ 82,952
Contracted services	112,550	0	112,550
Contributions	1,083,246	135,628	1,218,874
Grants	183,205	0	183,205
Advertising	13,097	0	13,097
Concession sales	80,731	0	80,731
Agency endowment return	(312,838)	0	(312,838)
Great Performance Fund distribution	211,921	0	211,921
Other revenue (loss)	(6,914)	0	(6,914)
Employee retention credit grant	0	0	0
Employee retention credit loss recovery	15,604	0	15,604
In-kind revenue	87,500	0	87,500
Net assets released from restrictions	272,253	(272,253)	0
Total support and revenue	1,823,307	(136,625)	1,686,682
Expenses:			
Program services:			
Concerts on the Square®	922,155	0	922,155
Other concerts	1,204,879	0	1,204,879
Total program services	2,127,034	0	2,127,034
Supporting services:			
Patron loyalty	306,597	0	306,597
Administrative	273,438	0	273,438
Total supporting services	580,035	0	580,035
Total expenses	2,707,069	0	2,707,069
Change in net assets	(883,762)	(136,625)	(1,020,387)
Net assets, beginning	5,652,098	350,157	6,002,255
Net assets, ending	\$ 4,768,336	\$ 213,532	\$ 4,981,868

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

WISCONSIN CHAMBER ORCHESTRA, INC.

STATEMENT OF ACTIVITIES

Year ended August 31, 2021

	Without donor restrictions	With donor restrictions	Total
Change in net assets:			
Support and revenue:			
Ticket sales	\$ 86,754	\$ 0	\$ 86,754
Contracted services	0	0	0
Contributions	1,188,601	221,753	1,410,354
Grants	214,246	0	214,246
Advertising	10,513	0	10,513
Concession sales	9,682	0	9,682
Agency endowment return	993,113	0	993,113
Great Performance Fund distribution	197,357	0	197,357
Other revenue	26,880	0	26,880
Employee retention credit grant	344,320	0	344,320
Employee retention credit loss recovery	88,240	0	88,240
In-kind revenue	75,380	0	75,380
Net assets released from restrictions	301,702	(301,702)	0
Total support and revenue	3,536,788	(79,949)	3,456,839
Expenses:			
Program services:			
Concerts on the Square®	952,247	0	952,247
Other concerts	522,466	0	522,466
Total program services	1,474,713	0	1,474,713
Supporting services:			
Patron loyalty	210,696	0	210,696
Administrative	225,855	0	225,855
Total supporting services	436,551	0	436,551
Total expenses	1,911,264	0	1,911,264
Change in net assets	1,625,524	(79,949)	1,545,575
Net assets, beginning	4,026,574	430,106	4,456,680
Net assets, ending	\$ 5,652,098	\$ 350,157	\$ 6,002,255

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

WISCONSIN CHAMBER ORCHESTRA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended August 31, 2022

	Program services			Supporting services			
	Concerts on the Square®	Other concerts	Total program services	Patron loyalty	Administrative	Total supporting services	Total expenses
Expenses:							
Payroll and related costs	\$ 133,996	\$ 398,826	\$ 532,822	\$ 183,066	\$ 108,552	\$ 291,618	\$ 824,440
Professional fees	46	0	46	1,846	67,287	69,133	69,179
Occupancy cost	10,777	33,144	43,921	15,388	5,806	21,194	65,115
Office expenses	14,319	5,361	19,680	5,865	44,247	50,112	69,792
Professional dues and fees	25	0	25	3,795	13,240	17,035	17,060
Insurance	7,140	21,961	29,101	10,196	5,084	15,280	44,381
Board expenses	0	0	0	0	0	0	0
Interest expense	0	0	0	0	1,157	1,157	1,157
Bank charges	595	0	595	0	10,853	10,853	11,448
Direct mail	281	0	281	5,634	0	5,634	5,915
Patron benefits	257	0	257	330	0	330	587
Sponsor benefits	0	0	0	0	0	0	0
Fundraising events	2,500	0	2,500	5,870	0	5,870	8,370
Entertaining	0	0	0	0	0	0	0
Indoor marketing	35,578	93,511	129,089	46,981	1,234	48,215	177,304
Box office fees	0	0	0	0	0	0	0
Sales tax	653	3,276	3,929	0	0	0	3,929
Miscellaneous marketing	0	0	0	0	0	0	0
Advertising agency fee	0	0	0	0	0	0	0
Outdoor marketing	9,000	10,849	19,849	3,623	196	3,819	23,668
Musician expenses	225,220	417,659	642,879	0	140	140	643,019
Brookfield expenses	0	0	0	0	0	0	0
Guest artists	36,401	69,152	105,553	9,635	0	9,635	115,188
Other production	443,537	151,140	594,677	7,127	5,195	12,322	606,999
Miscellaneous expense	1,830	0	1,830	7,241	4,054	11,295	13,125
Depreciation expense	0	0	0	0	6,393	6,393	6,393
Total expenses	<u>\$ 922,155</u>	<u>\$ 1,204,879</u>	<u>\$ 2,127,034</u>	<u>\$ 306,597</u>	<u>\$ 273,438</u>	<u>\$ 580,035</u>	<u>\$ 2,707,069</u>

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

WISCONSIN CHAMBER ORCHESTRA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended August 31, 2021

	Program services			Supporting services			
	Concerts on the Square®	Other concerts	Total program services	Patron loyalty	Administrative	Total supporting services	Total expenses
Expenses:							
Payroll and related costs	\$ 206,854	\$ 188,557	\$ 395,411	\$ 141,048	\$ 93,982	\$ 235,030	\$ 630,441
Professional fees	921	0	921	0	50,598	50,598	51,519
Occupancy cost	21,739	18,964	40,703	14,634	9,102	23,736	64,439
Office expenses	53,469	6,674	60,143	4,262	31,273	35,535	95,678
Professional dues and fees	16	0	16	160	8,320	8,480	8,496
Insurance	5,962	5,201	11,163	4,013	2,618	6,631	17,794
Board expenses	0	0	0	0	0	0	0
Interest expense	0	0	0	0	8,936	8,936	8,936
Bank charges	0	4	4	0	9,390	9,390	9,394
Direct mail	0	0	0	7,009	0	7,009	7,009
Patron benefits	0	0	0	25	0	25	25
Sponsor benefits	0	0	0	0	0	0	0
Fundraising events	299	0	299	23	0	23	322
Entertaining	0	0	0	0	0	0	0
Indoor marketing	38,883	16,636	55,519	31,586	7,228	38,814	94,333
Box office fees	0	0	0	0	0	0	0
Sales tax	0	623	623	0	10	10	633
Miscellaneous marketing	0	0	0	0	0	0	0
Advertising agency fee	0	0	0	0	0	0	0
Outdoor marketing	671	1,732	2,403	0	99	99	2,502
Musician expenses	225,178	220,735	445,913	0	0	0	445,913
Brookfield expenses	0	0	0	0	0	0	0
Guest artists	33,000	1,000	34,000	0	0	0	34,000
Other production	361,578	59,197	420,775	5,326	2,600	7,926	428,701
Miscellaneous expense	74	0	74	185	118	303	377
Depreciation expense	3,603	3,143	6,746	2,425	1,581	4,006	10,752
Total expenses	<u>\$ 952,247</u>	<u>\$ 522,466</u>	<u>\$ 1,474,713</u>	<u>\$ 210,696</u>	<u>\$ 225,855</u>	<u>\$ 436,551</u>	<u>\$ 1,911,264</u>

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

WISCONSIN CHAMBER ORCHESTRA, INC.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,020,387)	\$ 1,545,575
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,393	10,752
Agency endowment return	312,838	(993,113)
Interest income reinvested	(13)	(19)
Increase in cash surrender value of donated life insurance	(3,890)	(2,762)
Changes in operating assets and liabilities:		
Accounts receivable	138,947	(172,318)
Unconditional promises to give	27,017	23,351
Prepaid expenses	10,000	21,263
Accounts payable	19,148	7,391
Accrued interest	952	5,620
Other accrued expenses	5,667	(73,218)
Contract liabilities	50,746	(7,091)
Deferred rent obligation	(1,865)	(442)
Net cash used in operating activities	(454,447)	364,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(3,352)	(16,000)
Distributions from beneficial interest in assets held by MCF	195,696	182,251
Net cash provided by investing activities	192,344	166,251
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	0	(155,442)
Change in cash, cash equivalents, and restricted cash	(262,103)	375,798
Cash, cash equivalents, and restricted cash:		
Beginning	575,667	199,869
Ending	\$ 313,564	\$ 575,667
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 0	\$ 2,958

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

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE A -- Nature of business and significant accounting policies

Nature of business

Wisconsin Chamber Orchestra, Inc. (the Orchestra) (the organization) is a not-for-profit professional chamber orchestra organized under the laws of the State of Wisconsin. The Orchestra produces several performances across the state each year for the benefit of the general public. These performances include Concerts on the Square® (a series of concerts presented free-of-charge to the public each summer), an indoor Masterworks series (a series of ticketed performances), and several contracted services throughout the state. The Orchestra is primarily supported by contributions.

A summary of significant accounting policies follows:

Basis of accounting

The financial statements of the Orchestra have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the Orchestra is required to report 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. Net assets with donor restrictions have been limited by donor-imposed time or use restrictions or are required to be maintained in perpetuity. Included in net assets without donor restrictions are voluntary board-approved designations for specific purposes, projects, or investments.

Use of estimates

The preparation of financial statements 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.

Exempt status

The Orchestra is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Orchestra qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509 (a)(2). However, income from certain activities not directly related to the Orchestra's tax-exempt purpose is subject to taxation as unrelated business income.

Cash and cash equivalents

For purposes of reporting cash flows, the Orchestra considers all investments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash not available to the Orchestra due to restrictions placed on it.

The Orchestra maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Orchestra has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE A -- Nature of business and significant accounting policies (Continued)

Accounts receivable

Accounts receivable are stated at face value, net of the allowance for bad debts. The Orchestra considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is presented. If amounts become uncollectible, they will be charged to operations when that determination is made.

Promises to give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Uncollectible promises to give are written off after management has used reasonable collection efforts and determined the promises will not be collected.

The Orchestra elected a policy to treat the Paycheck Protection Program (PPP) funds received as of August 31, 2022, and 2021, as conditional contributions. The Orchestra is required to spend the funds on payroll, maintain employee headcount and limit reduction in compensation to relieve the condition. As of August 31, 2022 and 2021, all of the barriers have been met and the full amount totaling \$0 and \$240,053, respectively, is included in contributions on the statements of activities.

The Orchestra elected a policy to treat the Employee Retention Credit (ERC) received during the period from January 1, 2021, to August 31, 2021, as a conditional contribution. The Orchestra is required to meet the various eligibility requirements and incur qualifying expenses (payroll costs) to relieve the condition. For the period January 1, 2021, to August 31, 2021, all the barriers have been met and the full amount totaling \$0 and \$334,320 is included in the Employee Retention Credit grant on the statements of activities for the years ended August 31, 2022 and 2021, respectively. The Orchestra elected a policy to treat the ERC received for the period April 1, 2020 to December 31, 2020 as a loss recovery and the full amount of \$15,604 and \$88,240 is included in Employee Retention Credit loss recovery on the statements of activities for the period ended August 31, 2022 and 2021, respectively. Recoveries of payroll expenses through the ERC under the Consolidated Appropriations Act of 2021 (CAA) are recorded as assets when receipt is deemed probable.

Inventories

Inventories consist of compact discs that are available for sale. Inventories are stated at the lower cost or net realizable value determined by the first-in, first-out method.

Property and equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 4 to 10 years.

Maintenance and repairs of furniture and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE A -- Nature of business and significant accounting policies (Continued)

Impairment of long-lived assets

The Orchestra reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Contract liabilities

Certain income is received in advance by the Orchestra. This income relates primarily to ticket sales, subscription sales and concert fees and is recognized in the year of the event.

Contract liabilities as of August 31, consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Subscription sales – performances	\$ 75,642	\$ 15,286	\$ 16,638
Single ticket sales	770	1,380	2,445
Concert fee	<u>0</u>	<u>9,000</u>	<u>13,674</u>
Total	<u>\$ 76,412</u>	<u>\$ 25,666</u>	<u>\$ 32,757</u>

Revenue recognition – contracts with customers

Ticket sales

The Orchestra receives income from the sale of tickets for its performances. Due to the nature of ticket sales, there is only one performance obligation. Variable consideration includes refunds for those performances which are cancelled. Total refunds were immaterial for the fiscal years ended August 31, 2022 and 2021. Payment is due at the time tickets are purchased. The organization recognizes performance income in the year the performance takes place (point in time). Amounts received for performance income for future years are recorded as contract liabilities on the statements of financial position and are recognized in the year in which the performance occurs.

Revenue recognition – fundraising events

The organization sells tickets and offers sponsorships for its special events. Ticket sales and sponsorships are nonrefundable and can be comprised of an exchange element based on the value of benefits provided to the donors, and a contribution element for the difference between total ticket sales and sponsorships paid and the exchange element. The organization recognizes the exchange portion of these events in the year the event takes place (point in time), and the contribution portion immediately. There was no exchange element in the ticket sales and sponsorships for fundraising events for the years ended August 31, 2022 and 2021.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE A -- Nature of business and significant accounting policies (Continued)

Revenue recognition – contracted services

A portion of the Orchestra's revenue is derived from contracted services during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. The organization recognizes income from contracted services when the concert has been performed by the Orchestra at the event held by another organization (point in time). The Orchestra does not have any significant financing components as payment is received at or shortly after the point of sale.

Revenue recognition – concession sales

A portion of the Orchestra's revenue is derived from concession sales during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. The organization recognizes income from concessions at time of sale (point in time). The Orchestra does not have any significant financing components as payment is received at or shortly after the point of sale.

Revenue recognition – contributions and grants

The Orchestra recognizes contributions when cash, other assets or a notification of an unconditional promise to give is received and records the amounts as contribution revenue with or without restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Orchestra reports the support as net assets without donor restrictions.

In-kind contributions

Donated supplies are recorded at their estimated fair value on the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received. In the normal course of operations, the Orchestra trades some Concerts on the Square tables and program advertising and tickets to other events for materials, facilities, and services with various individuals and organizations. Volunteer hours have not been included in the financial statements because they did not meet the criteria for recognition.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE A -- Nature of business and significant accounting policies (Continued)

The organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the organization to utilize it in its normal course of business, the asset will be disposed or the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The organization receives donated services for design work to be used for marketing and development purposes by the organization. The organization has elected to value the services at the current market rates for design services. Donated design work services for the year ended August 31, 2022 and 2021, totaled \$6,000 and \$2,990, respectively. The organization receives donated services for media (i.e. radio spots) to be used for marketing purposes by the organization. The organization has elected to value the services at the current market rates for media-type services. Donated media services for the year ended August 31, 2022 and 2021, totaled \$63,660 and \$48,650, respectively. The organization receives donated services for fiber internet to be used for the office of the organization. The organization has elected to value the services at the current market rates for internet services. Donated internet services for the year ended August 31, 2022 and 2021, totaled \$7,140 and \$4,740, respectively. The organization receives donated orchestra equipment. The organization has elected to value the orchestra equipment at the appraised value. Donated equipment for the year ended August 31, 2022 and 2021, totaled \$0 and \$16,000, respectively. The organization receives donated guest rooms and conference rooms. The organization has elected to value these rooms at the current hotel room rates. Donated guest rooms and conference room for the year ended August 31, 2022 and 2021, totaled \$10,700 and \$0, respectively.

All in-kind contributions received by the organization for the years ended August 31, 2022 and 2021 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

Revenue recognition – investment transactions

Interest, dividends, gains, and losses on investments are reported as an increase or decrease in net assets without donor restrictions unless explicitly restricted by donors.

Expense allocation

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, expense line items or costs within a line item are direct charges as either program services, patron loyalty or administrative based on the nature of the expense. Functional expenses that apply to more than one of these categories are allocated to the categories based on a percentage of time spent, the amount of the functional expense consumed by the category, or some combination. Within program services, the functional expenses are broken down further between Concerts on the Square® and other concerts.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE A -- Nature of business and significant accounting policies (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expenses, excluding in-kind marketing and advertising, totaled \$200,972 and \$96,835 for the years ended August 31, 2022 and 2021, respectively.

Sales taxes on revenue-producing transactions

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the company from a customer, are excluded from revenue.

New accounting standards adopted

In September 2020, FASB issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (*Topic 958*): *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*, which provides more transparency and consistency to the presentation and disclosure of contributed nonfinancial assets.

The organization was required to adopt this new accounting standard during its fiscal year ended August 31, 2022. The adoption of this new standard requires the entity to apply presentation and disclosure changes retrospectively to all periods presented. The adoption of this new standard did not have a material impact on the entity's financial statements.

Reclassifications

Some items in the 2021 financial statements have been reclassified to be consistent with the current year's presentation.

Subsequent events

These financial statements have not been updated for subsequent events occurring after March 16, 2023, which is the date these financial statements were available to be issued. The Orchestra has no responsibility to update these financial statements for events and circumstances occurring after this date.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE B -- Promises to give

Unconditional promises to give

Unconditional promises to give as of August 31, are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 50,635	\$ 36,540
Receivable in one to five years	<u>80,032</u>	<u>126,264</u>
Total unconditional promises to give	130,667	162,804
Less discount to net present value	<u>(5,415)</u>	<u>(10,535)</u>
Unconditional promises to give, net	<u>\$ 125,252</u>	<u>\$ 152,269</u>

Unconditional promises to give receivables in one year or more are discounted to net present value using a discount rate of 2.25% for each of the years ended August 31, 2022 and 2021.

Split-interest agreement

Split-interest agreements are trusts or other arrangements under which donors have designated beneficiaries. The Orchestra is one of many beneficiaries of the Linda I. Garrity Trust (Trust). Under the Trust, the Orchestra receives annual annuity payments during the term of the trust, 10 years. The final distribution will be made in 2027. The amounts to be received in the last year will be prorated based on the final balance held in the trust. Any changes in the discounted value of the Trust are adjusted through the remaining unconditional promise to give balance and contribution revenue. The Orchestra was notified it was a beneficiary of the Trust in 2017. The unconditional promise to give, net of the discount to present value, was \$97,117 and \$138,229 as of August 31, 2022 and 2021, respectively. The change in the value of the Trust totaled \$(11,496) and \$17,166 for the years ended August 31, 2022 and 2021, respectively, and is included in other revenue on the statements of activities.

NOTE C -- Agency endowments

The Orchestra has established three agency endowment funds (funds) at Madison Community Foundation, Inc. (MCF). The funds were created with an internal designation, are not donor-restricted, and are classified and reported as net assets without donor restrictions. The Orchestra recognizes the fair value of contributions when received. When the Orchestra transfers the funds to MCF, it recognizes the transfers as a decrease in cash, and the balances are presented on the statements of financial position as increases to beneficial interest in assets held by MCF.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE C -- Agency endowments (Continued)

Under the provisions of MCF's governing instruments and applicable regulations, the Board of Governors of MCF (the Board) have the power to modify any restriction or condition on, or direction as to, the timing, manner, or character of distributions for any specified charitable purposes or foundations if, in the judgment of the Board, such direction restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by MCF or with the charitable needs of the greater Madison community.

MCF will normally distribute part of the funds to the Orchestra at least annually so long as the Orchestra maintains its Federal tax-exempt status. This distribution policy is subject to change by the Board. The purpose of these grants will be to enable the Orchestra to carry out its charitable and exempt purposes.

NOTE D -- Fair value disclosure

The fair value measurement for the categories of assets that are measured at fair value on a recurring basis are as follows:

		<u>Fair value measurement using</u>		
		<u>Quoted prices in active markets for identical inputs (level 1)</u>	<u>Significant other observable inputs (level 2)</u>	<u>Significant unobservable inputs (level 3)</u>
		<u>08/31/22</u>		
<u>Assets</u>				
Beneficial interest in assets held by MCF ¹	<u>\$ 4,887,798</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,887,798</u>

		<u>Fair value measurement using</u>		
		<u>Quoted prices in active markets for identical inputs (level 1)</u>	<u>Significant other observable inputs (level 2)</u>	<u>Significant unobservable inputs (level 3)</u>
		<u>8/31/21</u>		
<u>Assets</u>				
Beneficial interest in assets held by MCF ¹	<u>\$ 5,396,332</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,396,332</u>

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE D -- Fair value disclosure (Continued)

1. The Orchestra's beneficial interest in assets held by MCF represents an agreement between the Orchestra and MCF in which the Orchestra transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded, and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the Orchestra by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. The change in value of the beneficial interest included in the change in net assets is reported as agency endowment return on the statements of activities.

The total purchases/contributions to the beneficial interest in assets held by MCF was \$0 for each of the years ended August 31, 2022 and 2021.

NOTE E -- Property and equipment, net

Property and equipment, net is comprised of the following:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 185,475	\$ 182,123
Less accumulated depreciation	<u>170,133</u>	<u>163,740</u>
	<u>\$ 15,342</u>	<u>\$ 18,383</u>

NOTE F -- Lines of credit

The Orchestra has a \$150,000 revolving line of credit with US Bank. Advances on the line of credit are payable on demand and carry interest at an annual rate equal to the prime rate announced by the bank (5.5% and 3.25% on August 31, 2022 and 2021). The line of credit is secured by a general business security agreement. The outstanding balance on the line of credit was \$0 as of August 31, 2022 and 2021.

The Orchestra has business reserve line at US Bank. It is a demand line of credit attached to the checking account. The outstanding balance on the business reserve line of credit was \$0 as of August 31, 2022 and 2021.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE G -- Notes payable

Notes payable consist of the following:

	<u>2022</u>	<u>2021</u>
Unsecured note payable #1 to a board member; includes interest at a rate of 1.91%; due April 8, 2022.	\$ 0	\$ 50,000
Unsecured note payable #2 to a board member; includes interest at a rate of 1.69%; due April 21, 2022.	0	50,000
Unsecured note payable #3 to board member, includes an interest rate of .22%; due April 1, 2024. The unsecured notes #1 and #2 were converted on November 1, 2021 into this one promissory note #3.	100,000	0
Note payable #4 to a board member; includes interest at a rate of 2.13%; due April 24, 2022; secured by the Orchestra's music library.	0	100,000
Note payable #5 to a board member; includes interest at a rate of 1.69%; due April 24, 2022; secured by the Orchestra's music library.	0	100,000
Note payable #6 to a board member, includes interest at a rate of .18%; due April 1, 2024; secured by the Orchestra's music library. The notes #4 and #5 were converted on November 1, 2021 into this one promissory note #6.	<u>200,000</u>	<u>0</u>
	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Repayment of principal on the notes payable as of August 31, 2022, is as follows:

Year ending August 31,

2023	\$ 0
2024	<u>300,000</u>
	<u>\$ 300,000</u>

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE H -- Net assets with donor restrictions

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or purpose and in perpetuity and as of August 31, consist of the following:

	<u>2022</u>	<u>2021</u>
Time restrictions on unconditional promises to give	\$ 125,252	\$ 152,269
Future operations and sponsorships	78,880	188,488
Restricted in perpetuity	<u>9,400</u>	<u>9,400</u>
Total	<u>\$ 213,532</u>	<u>\$ 350,157</u>

NOTE I -- Funds held by MCF

In November 2001, the Pleasant T. Rowland Foundation (Foundation) announced a philanthropic milestone challenging the Orchestra and eight other Madison non-profit cultural groups to match a total of \$23 million in challenge grants to support performance-related initiatives. The challenge to the Orchestra was to raise \$5 million of pledges before December 31, 2006, and to collect the pledges before December 31, 2011. The Foundation matched contributions to the Orchestra's Endowment Fund dollar-for-dollar as it was raised, effectively in the Pleasant T. Rowland Great Performance Fund for Wisconsin Chamber Orchestra, Inc., which is held and managed by MCF. The Great Performance Fund is a component fund of MCF, and since MCF has variance power, it is not included in the Orchestra's financial statements. Any distributions from the Great Performance Fund will help fund future performances, educational programs, and special events. The Orchestra received distributions totaling \$211,921 and \$197,357 during the years ended August 31, 2022 and 2021, respectively.

The Great Performance Fund had a fair value of \$5,292,516 and \$5,843,179 as of August 31, 2022 and 2021, respectively.

The Orchestra has a second fund which is also held and managed by MCF. This fund is also a component fund of MCF, and since MCF has variance power, it is not included in the Orchestra's financial statements. Distributions from the fund can be used for the Orchestra's programs. The Orchestra received distributions totaling \$496 and \$465 during the years ended August 31, 2022 and 2021, respectively, which are included in other revenue on the statements of activities. The fund had a fair value of \$12,467 and \$13,761 as of August 31, 2022 and 2021, respectively.

NOTE J -- Commitments and contingencies

Employment agreements

The Orchestra has employment agreements with its Executive Director and its Music Director through August 2024. The Executive Director agreement can be terminated for any reason at any time. Upon termination, the Executive Director is due an amount equal to his current salary for a period of six months. The agreement with the Music Director can be terminated for any reason with a 90-day written notice. Upon termination of the agreement, the Music Director is due an amount equal to his current salary for a period of six months.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE J -- Commitments and contingencies (Continued)

The Orchestra's musicians are members of the American Federation of Musicians, Local 166. The Orchestra and Union have a collective bargaining agreement that expired August 31, 2022 and was subsequently extended to August 31, 2023. The Union does not represent the Orchestra's other employees. The percentage of labor force subject to the collective bargaining agreement is approximately 88%. As part of the collective bargaining agreement, the Orchestra is required to contribute to the American Federation of Musicians and Employer's Pension Fund at the rate of 6.6% of applicable compensation. See Note M for the multiemployer defined-benefit pension plan under the terms of this collective bargaining agreement.

Paycheck Protection Program

On April 22, 2020, the Orchestra qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$240,000 (the "PPP Loan"). The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Orchestra's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Orchestra. The loan was forgiven in full on January 27, 2021.

On February 16, 2021, the Orchestra qualified for and received a second loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$240,053 (the "Additional PPP Loan"). The principal amount of the Additional PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Orchestra's request to the extent that the Additional PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Orchestra. The loan was forgiven in full on June 8, 2022.

The SBA retains the right to review the eligibility of any borrower, regardless of the size of the loan. If the SBA subsequently determines the borrower was ineligible for a PPP loan after forgiveness, the borrower must immediately repay the loan to the lender.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE K -- Unemployment reserve fund

The Orchestra has elected the reimbursement (self-insured) method of financing unemployment benefit costs. Under this method, unemployment compensation expense is charged to operations when paid or when the amounts of claims can be reasonably estimated. In order to guarantee payment of eligible benefits, the Wisconsin Department of Workforce Development requires that the Orchestra obtain a letter of credit in an amount based upon the employer's payroll. The Orchestra maintains a letter of credit at US Bank in the amount required which is secured by a certificate of deposit held at US Bank. The amount of the certificate of deposit was \$25,575 and \$25,562 at August 31, 2022 and 2021, respectively.

NOTE L -- Operating leases

In September 2015, the Orchestra began leasing its building. The lease requires monthly payments ranging from \$4,200 and \$5,245 and expires on September 30, 2025. There is one option to extend the term for an additional five-year period. Rent expense under this lease for each of the years ended August 31, 2022 and 2021, totaled \$56,460 and \$56,461, respectively.

Future minimum lease payments under this lease is as follows:

Year ending December 31,

2023	\$ 59,788
2024	61,283
2025	62,815
2026	<u>5,245</u>
	<u>\$ 189,131</u>

The Orchestra has an agreement with Madison Cultural Arts District (MCAD) for the use of the Overture Center for the Arts as a resident organization. Rental rates are based on the number of rehearsals and performances for each production and are deducted from ticket proceeds on the settlement sheet. The Orchestra also uses other performance and rehearsal facilities from time to time.

NOTE M -- Multiemployer defined-benefit pension plan

The organization contributes to a multiemployer defined-benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. Contributions to the union-sponsored, multiemployer pension plan were \$36,899 and \$42,508 for the years ended August 31, 2022 and 2021, respectively. This plan is not administered by the organization and contributions are determined in accordance with labor contracts.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE M -- Multiemployer defined-benefit pension plan (Continued)

The risks of participating in this multiemployer plan 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 its multiemployer plan, the organization may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The organization's participation in a significant type of this plan for the annual period ended August 31, 2022, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2022 and 2021 is for the plan's year-end at August 31, 2021, and August 31, 2020, respectively. 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, a plan in the red zone is generally less than 65 percent funded, a plan in the yellow zone is less than 80 percent funded, and a plan in the green zone is at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates a plan for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject. The organization's contributions are less than 5% of total plan contributions per the plan's most recently available annual report.

At the date the financial statements were issued, Form 5500 was not available for the plan year ending in 2022.

Pension Fund	EIN/Pension Plan #	Pension Protection Act		FIP/RP Status	Contributions of Wisconsin Chamber Orchestra, Inc.		Surcharge Imposed	Expiration date of Collective Bargaining Agreement
		2022	2021		2022	2021		
American Federation of Musicians and Employers' Pension Fund	51-6120204	Red as of 3/31/2022	Red as of 3/31/2021	Implemented	\$36,899	\$42,508	N/A	8/31/2023

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

NOTE N -- Availability of financial assets and liquidity

The Orchestra has the following financial assets as of August 31,

	<u>2022</u>	<u>2021</u>
Cash	\$ 313,564	\$ 575,667
Accounts receivable	40,305	179,252
Unconditional promises to give, net	125,252	152,269
Certificates of deposit designated for unemployment claims	25,575	25,562
Cash surrender value of donated life insurance	59,290	55,400
Beneficial interest in assets held by MCF	<u>4,887,798</u>	<u>5,396,332</u>
	<u>\$ 5,451,784</u>	<u>\$ 6,384,482</u>

The following reflects the Orchestra's financial assets as of August 31, 2022 and 2021 reduced by amounts not available for general use because of donor-imposed restrictions or internal designations, within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets as of August 31	\$ 5,451,784	\$ 6,384,482
Less those unavailable for general expenditures within one year due to:		
Donor-imposed time or purpose restrictions	(153,497)	(140,229)
Board designated for agency endowment funds	(4,887,798)	(5,396,332)
Donor restricted funds (to be held in perpetuity)	(9,400)	(9,400)
Certificates of deposit designated for unemployment claims	(25,575)	(25,562)
Cash surrender value of donated life insurance	<u>(59,290)</u>	<u>(55,400)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 316,224</u>	<u>\$ 757,559</u>

The Orchestra receives significant contributions with donor restrictions to be used in accordance with the associated use and/or time restriction. When a donor's restriction requires resources to be used in a particular manner or in a future period, the Orchestra must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Orchestra's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Orchestra also has several endowment funds held at MCF which provide distributions of investment income annually to help support operations.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE O -- Employee Retention Tax Credit

Under the CAA, the Orchestra has claimed ERC in the amount of \$15,604 and \$432,560 as of August 31, 2022 and 2021, respectively of which \$40,305 and \$179,252 is included in the balance of accounts receivable as of August 31, 2022 and 2021, respectively. Of the full amount of ERC claimed, \$0 and \$344,320 was recognized as a contribution for the years ended August 31, 2022 and 2021, respectively, since the Orchestra has substantially met the requirements of the program. The remaining amount of \$15,604 and \$88,240 was recognized as a loss recovery (see Note A) for the year ended August 31, 2022 and 2021, respectively.