

Wisconsin Chamber Orchestra, Inc.

Financial Report

August 31, 2021

WISCONSIN CHAMBER ORCHESTRA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Wisconsin Chamber Orchestra, Inc., which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

The financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Chamber Orchestra, Inc. as of August 31, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2021, the organization adopted new accounting standards. Our opinion is not modified with respect to this matter.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

February 18, 2022

WISCONSIN CHAMBER ORCHESTRA, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 575,667	\$ 199,869
Accounts receivable	179,252	6,934
Inventories	1,187	1,187
Unconditional promises to give, short-term	36,540	51,185
Prepaid expenses	10,000	31,263
Total current assets	802,646	290,438
PROPERTY AND EQUIPMENT, NET	18,383	13,135
OTHER ASSETS		
Certificates of deposit designated for unemployment claims	25,562	25,543
Unconditional promises to give, net, long-term	115,729	124,435
Cash surrender value of donated life insurance	55,400	52,638
Beneficial interest in assets held by MCF	5,396,332	4,585,470
Total other assets	5,593,023	4,788,086
TOTAL ASSETS	<u>\$ 6,414,052</u>	<u>\$ 5,091,659</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 57,679	\$ 50,288
Accrued interest	10,853	5,233
Other accrued expenses	704	73,922
Contract liabilities	25,666	32,757
Lines of credit	0	155,442
Total current liabilities	94,902	317,642
LONG-TERM LIABILITIES		
Deferred rent obligation	16,895	17,337
Notes payable	300,000	300,000
Total long-term liabilities	316,895	317,337
TOTAL LIABILITIES	411,797	634,979
NET ASSETS		
Without donor restrictions:		
Designated for agency endowment funds	5,396,332	4,585,470
Undesignated	255,766	(558,896)
Total without donor restrictions	5,652,098	4,026,574
With donor restrictions	350,157	430,106
Total net assets	6,002,255	4,456,680
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,414,052</u>	<u>\$ 5,091,659</u>

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	1,196,483	221,753	1,418,236
Fundraising events	0	0	0
Grants	214,246	0	214,246
Advertising	10,513	0	10,513
Concession sales	1,800	0	1,800
Booth fees	0	0	0
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 ACTIVITIES

Year ended August 31, 2020

	Without donor restrictions	With donor restrictions	Total
Change in net assets:			
Support and revenue:			
Ticket sales	\$ 96,442	\$ 0	\$ 96,442
Contracted services	86,140	0	86,140
Contributions	942,738	239,896	1,182,634
Fundraising events	68,414	0	68,414
Grants	40,480	0	40,480
Advertising	0	0	0
Concession sales	13,320	0	13,320
Booth fees	100	0	100
Agency endowment return	232,883	0	232,883
Great Performance Fund distribution	195,716	0	195,716
Other revenue	24,301	0	24,301
Employee retention credit grant	0	0	0
Employee retention credit loss recovery	0	0	0
In-kind revenue	69,320	0	69,320
Net assets released from restrictions	85,167	(85,167)	0
Total support and revenue	1,855,021	154,729	2,009,750
Expenses:			
Program services:			
Concerts on the Square®	422,877	0	422,877
Other concerts	762,456	0	762,456
Total program services	1,185,333	0	1,185,333
Supporting services:			
Patron loyalty	218,240	0	218,240
Administrative	465,388	0	465,388
Total supporting services	683,628	0	683,628
Total expenses	1,868,961	0	1,868,961
Change in net assets	(13,940)	154,729	140,789
Net assets, beginning	4,040,514	275,377	4,315,891
Net assets, ending	\$ 4,026,574	\$ 430,106	\$ 4,456,680

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.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended August 31, 2020

	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	\$ 121,021	\$ 153,749	\$ 274,770	\$ 138,311	\$ 73,021	\$ 211,332	\$ 486,102
Professional fees	0	0	0	0	48,059	48,059	48,059
Occupancy cost	15,245	18,982	34,227	17,622	9,565	27,187	61,414
Office expenses	13,724	142	13,866	562	48,726	49,288	63,154
Professional dues and fees	199	0	199	149	16,008	16,157	16,356
Insurance	289	489	778	338	48,151	48,489	49,267
Board expenses	0	0	0	0	353	353	353
Interest expense	0	0	0	0	14,173	14,173	14,173
Bank charges	0	569	569	941	14,280	15,221	15,790
Direct mail	0	1,500	1,500	2,098	361	2,459	3,959
Patron benefits	0	2,482	2,482	2,353	0	2,353	4,835
Sponsor benefits	0	5,880	5,880	0	0	0	5,880
Fundraising events	0	4,426	4,426	23,034	0	23,034	27,460
Entertaining	0	0	0	257	50	307	307
Indoor marketing	13,665	26,665	40,330	219	171,645	171,864	212,194
Box office fees	0	3,356	3,356	0	0	0	3,356
Sales tax	0	414	414	0	7,598	7,598	8,012
Miscellaneous marketing	375	0	375	0	0	0	375
Advertising agency fee	2,100	3,850	5,950	0	0	0	5,950
Outdoor marketing	1,266	3,750	5,016	301	207	508	5,524
Musician expenses	134,733	445,405	580,138	31,749	7	31,756	611,894
Brookfield expenses	0	1,504	1,504	0	0	0	1,504
Guest artists	9,314	43,935	53,249	0	0	0	53,249
Other production	110,946	42,895	153,841	306	5,189	5,495	159,336
Miscellaneous expense	0	0	0	0	0	0	0
Depreciation expense	0	2,463	2,463	0	7,995	7,995	10,458
Total expenses	<u>\$ 422,877</u>	<u>\$ 762,456</u>	<u>\$ 1,185,333</u>	<u>\$ 218,240</u>	<u>\$ 465,388</u>	<u>\$ 683,628</u>	<u>\$ 1,868,961</u>

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

WISCONSIN CHAMBER ORCHESTRA, INC.

STATEMENTS OF CASH FLOWS Years ended August 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,545,575	\$ 140,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,752	10,458
Agency endowment return	(993,113)	(232,883)
Interest income reinvested	(19)	(6)
Increase in cash surrender value of donated life insurance	(2,762)	(4,475)
Changes in operating assets and liabilities:		
Accounts receivable	(172,318)	29
Unconditional promises to give	23,351	90,357
Prepaid expenses	21,263	(30,522)
Overdraft	0	(12,223)
Accounts payable	7,391	(160,207)
Accrued interest	5,620	5,233
Other accrued expenses	(73,218)	73,922
Contract liabilities	(7,091)	(20,704)
Deferred rent obligation	(442)	946
Net cash used in operating activities	364,989	(139,286)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(16,000)	0
Distributions from beneficial interest in assets held by MCF	182,251	180,717
Net cash provided by investing activities	166,251	180,717
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(155,442)	(962)
Proceeds from issuance of notes payable	0	150,000
Net cash provided by financing activities	(155,442)	149,038
Change in cash, cash equivalents, and restricted cash	375,798	190,469
Cash, cash equivalents, and restricted cash:		
Beginning	199,869	9,400
Ending	\$ 575,667	\$ 199,869
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 2,958	\$ 7,865

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

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

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, 2021

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, 2021 and 2020, 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, 2021 and 2020, all of the barriers have been met and the full amount totaling \$240,053 and \$240,000, 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 of the barriers have been met and the full amount totaling \$344,320 is included in Employee Retention Credit grant on the statements of activities. The Orchestra elected a policy to treat the ERC received during the period April 1, 2020 to December 31, 2020 as a loss recovery and the full amount of \$88,240 is included in Employee Retention Credit loss recovery on the statements of activities. 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 of 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.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

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

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.

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 and concert fees and is recognized in the year of the event.

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, 2021 and 2020. 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 is 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, 2021 and 2020.

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.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

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

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.

Revenue recognition - donated services and supplies

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.

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 directly 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.

Advertising

Advertising costs are expensed as incurred. Advertising expense, excluding in-kind marketing and advertising, totaled \$96,835 and \$218,093 for the years ended August 31, 2021 and 2020, respectively.

Presentation of sales tax

The State of Wisconsin and Dane County impose a combined sales tax of 5.5% on the Orchestra's ticket and other sales to nonexempt customers. The Orchestra collects that sales tax from customers and remits the entire amount to the state. The Orchestra's accounting policy is to include the tax collected and remitted to the state in revenue and expenses. For the years ended August 31, 2021 and 2020, sales tax expense totaled \$633 and \$8,012, respectively.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

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

New accounting standards adopted

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the new Topic 606 and Subtopic 340-40 is referred to as the “new guidance.”

The organization adopted the requirements of the new guidance as of September 1, 2020, utilizing the modified retrospective method of transition. There was no cumulative adjustment to net assets as of September 1, 2020, to reflect the effect of the new guidance. As part of the adoption of ASC 606, the Orchestra elected to use the following transition practical expedient: ASC 606 is applied only to contracts that are not completed at the initial date of application.

The modified retrospective method of transition requires the organization to disclose the effect of applying the new guidance on each item included in the financial statements. There were no changes to the amounts on any line items in the statement of financial position, statement of activities, or statement of cash flows as of and for the year ended August 31, 2021, that would have been reported under the former guidance.

In August 2018, FASB issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*, which removes or modifies certain disclosure requirements about recurring or nonrecurring fair value measurements.

The entity was required to adopt this new accounting standard during its fiscal year ended August 31, 2021. The adoption of this new standard requires the entity to apply disclosure changes retrospectively to all periods presented. The disclosure of the activity within the beneficial interest in assets held by Madison Community Foundation was removed except for purchases/contributions in.

Reclassifications

Some items in the 2020 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 February 18, 2022, 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, 2021

NOTE B -- Promises to give

Unconditional promises to give

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

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 36,540	\$ 51,185
Receivable in one to five years	126,264	90,000
Receivable in more than five years	<u>0</u>	<u>47,030</u>
Total unconditional promises to give	162,804	188,215
Less discount to net present value	<u>(10,535)</u>	<u>(12,595)</u>
Unconditional promises to give, net	<u>\$ 152,269</u>	<u>\$ 175,620</u>

Unconditional promises to give receivable 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, 2021 and 2020.

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 \$138,229 and \$146,935 as of August 31, 2021 and 2020, respectively. The change in the value of the Trust totaled \$17,166 and \$11,749 for the years ended August 31, 2021 and 2020, 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.

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.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE C -- Agency endowments (Continued)

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>08/31/21</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>

		<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>8/31/20</u>		
<u>Assets</u>				
Beneficial interest in assets held by MCF ¹	<u>\$ 4,585,470</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,585,470</u>

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, 2021 and 2020.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE E -- Property and equipment, net

Property and equipment, net is comprised of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 182,123	\$ 166,123
Less accumulated depreciation	<u>163,740</u>	<u>152,988</u>
	<u>\$ 18,383</u>	<u>\$ 13,135</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 (3.25% at August 31, 2021 and 2020). The line of credit is secured by a general business security agreement. The outstanding balance on the line of credit was \$0 and \$149,421 as of August 31, 2021 and 2020, respectively.

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 and \$6,021 as of August 31, 2021 and 2020, respectively.

NOTE G -- Notes payable

Notes payable consist of the following:

	<u>2021</u>	<u>2020</u>
Unsecured note payable to a board member; includes interest at a rate of 1.91%; due April 8, 2022.*	\$ 50,000	\$ 50,000
Unsecured note payable to a board member; includes interest at a rate of 1.69%; due April 21, 2022.*	50,000	50,000
Note payable to a board member; includes interest at a rate of 2.13%; due April 24, 2022; secured by the Orchestra's music library.**	100,000	100,000
Note payable to a board member; includes interest at a rate of 1.69%; due April 24, 2022; secured by the Orchestra's music library.**	<u>100,000</u>	<u>100,000</u>
	<u>\$ 300,000</u>	<u>\$ 300,000</u>

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

NOTE G -- Notes payable (Continued)

*On November 1, 2021, the two notes were converted into one promissory note with an interest rate of .22% and the note is due April 1, 2024.

** On October 1, 2021, the two notes were converted into one promissory note with an interest rate of .18% and the note is due April 1, 2024.

Repayment of principal on the notes payable as of August 31, 2021, is as follows:

Year ending August 31,

2022	\$	0
2023		0
2024		<u>300,000</u>
	\$	<u>300,000</u>

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>2021</u>	<u>2020</u>
Time restrictions on unconditional promises to give	\$ 152,269	\$ 175,620
Future operations and sponsorships	188,488	150,300
Concerts on the Square®	0	94,786
Restricted in perpetuity	<u>9,400</u>	<u>9,400</u>
Total	<u>\$ 350,157</u>	<u>\$ 430,106</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 \$197,357 and \$195,716 during the years ended August 31, 2021 and 2020, respectively.

The Great Performance Fund had a fair value of \$5,843,179 and \$4,965,186 as of August 31, 2021 and 2020, respectively.

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

NOTE I -- Funds held by MCF (Continued)

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 \$465 and \$461 during the years ended August 31, 2021 and 2020, respectively, which are included in other revenue on the statements of activities. The fund had a fair value of \$13,761 and \$11,693 as of August 31, 2021 and 2020, 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.

The Orchestra's musicians are members of the American Federation of Musicians, Local 166. The Orchestra and Union have a collective bargaining agreement that expires August 31, 2022. 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% of applicable compensation. See Note N 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.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE J -- Commitments and contingencies (Continued)

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 Orchestra intends to apply for forgiveness of the Additional PPP Loan with respect to these covered expenses. To the extent that all or part of the Additional PPP Loan is not forgiven, the Orchestra will be required to pay interest on the Additional PPP Loan at a rate of 1.0% per annum and commencing in November 2021 principal and interest payments will be required through the maturity date in February 2026. The terms of the Additional PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Additional PPP Loan may be accelerated upon the occurrence of an event of default.

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.

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 \$25,562 and \$25,543 at August 31, 2021 and 2020, respectively.

WISCONSIN CHAMBER ORCHESTRA, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

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, 2021 and 2020, totaled \$56,461.

Future minimum lease payments under this lease is as follows:

<u>Year ending December 31,</u>	
2022	\$ 58,330
2023	59,788
2024	61,283
2025	62,815
2026	<u>5,245</u>
	<u>\$ 247,461</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 -- Donated services and supplies

The value of donated services and supplies included in in-kind revenue and the corresponding functional expense category for the years ended August 31, 2021 and 2020, are as follows:

<u>2021</u>	<u>Concerts on the Square®</u>	<u>Administrative</u>
Concert expense	\$ 41,840	\$ 0
Other	<u>0</u>	<u>14,540</u>
Total	<u>\$ 41,840</u>	<u>\$ 14,540</u>
 <u>2020</u>	 <u>Concerts on the Square®</u>	 <u>Administrative</u>
Concert expense	\$ 46,230	\$ 0
Other	<u>0</u>	<u>17,090</u>
Total	<u>\$ 46,230</u>	<u>\$ 17,090</u>

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

NOTE M -- Donated services and supplies (Continued)

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.

NOTE N -- 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 \$42,508 and \$18,338 for the years ended August 31, 2021 and 2020, respectively. This plan is not administered by the organization and contributions are determined in accordance with labor contracts.

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, 2021, 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 2021 and 2020 is for the plan's year-end at August 31, 2020, and August 31, 2019, 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.

WISCONSIN CHAMBER ORCHESTRA, INC.
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August 31, 2021

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

At the date the financial statements were issued, Form 5500 was not available for the plan year ending in 2021.

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
		2021	2020		2021	2020		
American Federation of Musicians and Employers' Pension Fund	51-6120204	Red as of 3/31/2021	Red as of 3/31/2020	Implemented	\$42,508	\$18,338	N/A	8/31/2022

NOTE O -- Availability of financial assets and liquidity

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 575,667	\$ 199,869
Accounts receivable	179,252	6,934
Unconditional promises to give, net	152,269	175,620
Certificates of deposit designated for unemployment claims	25,562	25,543
Cash surrender value of donated life insurance	55,400	52,638
Beneficial interest in assets held by MCF	<u>5,396,332</u>	<u>4,585,470</u>
	<u>\$ 6,361,044</u>	<u>\$ 5,046,074</u>

WISCONSIN CHAMBER ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2021

NOTE O -- Availability of financial assets and liquidity (Continued)

The following reflects the Orchestra's financial assets as of August 31, 2021 and 2020 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>2021</u>	<u>2020</u>
Financial assets as of August 31	\$ 6,361,044	\$ 5,046,074
Less those unavailable for general expenditures within one year due to:		
Donor-imposed time or purpose restrictions	(140,229)	(369,521)
Board designated for agency endowment funds	(5,396,332)	(4,585,470)
Donor restricted funds (to be held in perpetuity)	(9,400)	(9,400)
Certificates of deposit designated for unemployment claims	(25,562)	(25,543)
Cash surrender value of donated life insurance	<u>(55,400)</u>	<u>(52,638)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 734,121</u>	<u>\$ 3,502</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.

NOTE P -- Employee Retention Tax Credit

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