



Madison Symphony Orchestra Inc.

**Consolidated Financial Statements
(and Supplementary Information)
Years Ended June 30, 2022 and 2021**

Madison Symphony Orchestra Inc.

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Madison Symphony Orchestra Inc.

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Independent Auditor's Report

Board of Directors
Madison Symphony Orchestra Inc.
Madison, Wisconsin

Opinion

We have audited the consolidated financial statements of Madison Symphony Orchestra Inc. and the Madison Symphony Orchestra Foundation, Inc. (Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in their net assets and their 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 (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

Madison, Wisconsin
November 10, 2022

Consolidated Financial Statements

Madison Symphony Orchestra Inc.
Consolidated Statements of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 2,816,273	\$ 2,169,421
Accounts receivable	28,900	363,174
Pledges and bequests receivable	1,087,184	1,048,787
Merchandise inventory	948	948
Prepaid expenses	48,209	62,132
Security deposit	4,000	4,000
Unemployment compensation deposit	56,008	56,008
Investments	22,583,629	24,742,272
Equipment, net of accumulated depreciation of \$377,743 for 2022 and \$356,825 for 2021	73,739	83,862
Music library	276,847	276,847
Organ, net of accumulated depreciation of \$84,191 for 2022 and \$62,228 for 2021	1,730,568	1,752,531
Total Assets	\$ 28,706,305	\$ 30,559,982
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 51,981	\$ 3,178
Accrued expenses	15,943	939
Deferred revenue	889,744	746,649
Total Current Liabilities	957,668	750,766
Long-Term Liability		
Payroll Protection Program (PPP) Loan	-	504,700
Total Liabilities	957,668	1,255,466
Net Assets		
Without donor restrictions	16,403,753	17,881,062
With donor restrictions	11,344,884	11,423,454
Total Net Assets	27,748,637	29,304,516
Total Liabilities and Net Assets	\$ 28,706,305	\$ 30,559,982

See accompanying notes to financial statements.

Madison Symphony Orchestra Inc.

Consolidated Statements of Activities

<i>Year ended June 30,</i>	2022	2021
Changes in Net Assets - Without Donor Restrictions		
Revenues		
Admissions		
Ticket sales	\$ 1,544,582	\$ 8,985
Fundraising		
Contributions, grants and sponsorships	1,861,045	2,292,542
Sales and membership events (net)	49,090	19,670
Concert on the Green	160,910	-
Other		
Hired concert income	274,378	9,674
Program advertising	5,300	873
Distributions from the Madison Community Foundation	278,812	264,327
Investment income (loss), net	(2,822,788)	5,408,414
Miscellaneous	26,972	828
Government grants	917,901	-
Employee Retention Credits	-	498,733
PPP Loan Forgiveness	504,700	493,000
Total Revenues - Without Donor Restrictions	2,800,902	8,997,046
Net assets released from restrictions	930,521	604,287
Total Net Assets Released From Restrictions, Revenues, and Other Support	3,731,423	9,601,333
Expenses		
Program Services		
Production	4,040,612	2,347,591
Supporting Services		
Fundraising	111,559	228,045
General and Administrative	1,056,561	648,825
Total Expenses	5,208,732	3,224,461
Change in Net Assets - Without Donor Restrictions	\$ (1,477,309)	\$ 6,376,872
Change in Net Assets - With Donor Restrictions		
Contributions	\$ 851,951	\$ 800,282
Net assets released from restrictions	(930,521)	(604,287)
Change in Net Assets - With Donor Restrictions	(78,570)	195,995
Change in Net Assets - Without and With Donor Restrictions	(1,555,879)	6,572,867
Net Assets, beginning of year	29,304,516	22,731,649
Net Assets, end of year	\$ 27,748,637	\$ 29,304,516

See accompanying notes to financial statements.

Madison Symphony Orchestra Inc.
Consolidated Statements of Functional Expenses

<i>Year ended June 30, 2022</i>	<u>Program Services</u>	<u>Supporting Services</u>		Total
	Production	Fundraising	General and Administrative	
Expenses				
Advertising	\$ 218,458	\$ -	\$ -	\$ 218,458
Artistic personnel	1,963,249	-	-	1,963,249
Brochure and promotion	83,879	-	-	83,879
Concert production	960,492	-	-	960,492
Depreciation	-	-	42,880	42,880
Dues and subscriptions	16,311	-	-	16,311
Educational projects	71,431	-	-	71,431
Equipment lease	37,114	-	-	37,114
Lunches, dinners, and travel	13,086	-	-	13,086
Membership	72,098	-	-	72,098
Newsletter	82,370	-	-	82,370
Other	262,764	-	182,685	445,449
Payroll tax	-	-	51,449	51,449
Printing and postage	36,875	-	14,670	51,545
Professional fees	-	-	25,668	25,668
Rent	-	-	27,946	27,946
Salaries	222,485	-	708,554	931,039
Sales and membership events	-	111,559	-	111,559
Telephone	-	-	2,709	2,709
Total Expenses	\$ 4,040,612	\$ 111,559	\$ 1,056,561	\$ 5,208,732

See accompanying notes to financial statements.

Madison Symphony Orchestra Inc.
Consolidated Statements of Functional Expenses

<i>Year ended June 30, 2021</i>	<u>Program Services</u>	<u>Supporting Services</u>		Total
	Production	Fundraising	General and Administrative	
Expenses				
Advertising	\$ 11,795	\$ -	\$ -	\$ 11,795
Artistic personnel	1,424,832	-	-	1,424,832
Brochure and promotion	95,929	-	-	95,929
Concert production	155,572	-	-	155,572
Depreciation	-	-	47,795	47,795
Dues and subscriptions	14,979	-	-	14,979
Educational projects	38,624	-	-	38,624
Equipment lease	25,114	-	-	25,114
Lunches, dinners, and travel	1,189	-	-	1,189
Membership	3,500	-	-	3,500
Newsletter	23,166	-	-	23,166
Other	87,946	-	-	87,946
Payroll tax	-	-	61,888	61,888
Printing and postage	21,310	-	11,712	33,022
Professional fees	-	-	30,023	30,023
Rent	-	-	97,713	97,713
Salaries	443,635	223,754	393,981	1,061,370
Sales and membership events	-	4,291	-	4,291
Telephone	-	-	5,713	5,713
Total Expenses	\$ 2,347,591	\$ 228,045	\$ 648,825	\$ 3,224,461

See accompanying notes to financial statements.

Madison Symphony Orchestra Inc.

Consolidated Statements of Cash Flows

<i>Year ended June 30,</i>	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,555,879)	\$ 6,572,867
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,880	47,795
Net realized and unrealized investment (gains) losses	3,742,237	(4,405,048)
Contributions restricted for endowment	(356,547)	(344,637)
PPP loan forgiveness	(504,700)	(493,000)
Increase (decrease) from changes in:		
Accounts receivable	334,274	(357,107)
Pledges and bequests receivable	(38,397)	(85,757)
Prepaid expenses	13,923	8,597
Unemployment compensation deposit	-	91
Accounts payable	48,803	(59,480)
Accrued expenses	15,004	(40,829)
Deferred revenue	143,095	(63,946)
Net cash provided by operating activities	1,884,693	779,546
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,776,305	3,809,050
Purchase of investments	(4,359,899)	(5,307,241)
Expenditures for equipment	(10,794)	-
Net cash used in investing activities	(1,594,388)	(1,498,191)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	356,547	344,637
Proceeds from PPP loans	-	504,700
Net cash provided by financing activities	356,547	849,337
Net Increase in Cash and Cash Equivalents	646,852	130,692
Cash and Cash Equivalents, beginning of year	2,169,421	2,038,729
Cash and Cash Equivalents, end of year	\$ 2,816,273	\$ 2,169,421

See accompanying notes to financial statements.

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

1. Information About the Organization and Summary of Significant Accounting Policies

Madison Symphony Orchestra Inc. (the Orchestra) was incorporated on May 28, 1925, as The Madison Civic Music Association, Inc. and changed its name to Madison Symphony Orchestra Inc. on June 6, 1995. It is established to produce high quality concerts of orchestral, instrumental, vocal, and choral music, to educate and entertain audiences of all ages in the Madison area and beyond, and to advocate music as a universal language of expression and understanding. Activities of the Friends of the Overture Concert Organ, an unincorporated division of the Orchestra, are included within the reported Orchestra amounts in these consolidated financial statements. Programs funded by the Orchestra for these purposes include its season concert series, concerts for elementary school children, and the Young People's Concert.

Madison Symphony Orchestra League (the League), an unincorporated division of the Orchestra, was established to support the artistic and financial goals of the Orchestra. Programs funded by the League for these purposes include various member and fund raising events.

Madison Symphony Orchestra Foundation Inc. (the Foundation), a separate tax-exempt organization, was established to administer investments including gifts, grants, and bequests where the income of these investments exclusively benefits the Orchestra. The transfer of invested special and restricted funds from the Orchestra to the Foundation began in May 1995 and was completed during July 1995. The Foundation's assets represent a consolidation of the Steenbock Visiting Artist, Steenbock Youth and Conductor, Marie Spec, Norman Bassett, Harry Sage, Elizabeth Harris, Great Performance Funds, and other funds. Investment earnings are allocated to the funds in the same ratio as the fair value of each fund's investments to the total fair value of all investments. The investments are held in safekeeping and managed by BMO Financial Group.

The Foundation annually determines its income distribution policy and agrees to give the Orchestra at least 12 months advance written notice of any change in the policy provided; however, the distribution may be modified at any time if mutually agreed upon by the Foundation and the Orchestra.

Principles of Consolidation

The consolidated financial statements consist of the accounts of the Orchestra, the League, and the Foundation collectively referred to as the "Organization."

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

For purposes of financial statement presentation, the Organization considers all cash accounts, certificates of deposit not held as a guarantee on the payment of benefits (Note 8), and money market funds not held at the Foundation to be cash and cash equivalents.

Pledges and Bequests Receivable and Accounts Receivable

Pledges and bequests receivable are due from multiple contributors. The Organization routinely assesses the financial strength of its contributors and patrons and, as a consequence, believes that its pledges and bequests receivable and accounts receivable credit risk exposure is limited. The Orchestra considers pledges and bequests receivable and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Equipment and Depreciation

Equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 25 years.

Organ

The Organization considers the organ that was purchased and installed in the Overture Center a work of art in accordance with definitions set forth in accounting standards. Accordingly, depreciation is not being recognized on the organ. This treatment is consistent with the accounting policy followed by other symphony orchestras in the United States that own similar organs. Any upgrades and enhancements to the organ are capitalized and depreciated over their estimated useful lives of ten years using the straight-line method.

Music Library

The Organization considers the music library a collection in accordance with definitions set forth in accounting standards. Accordingly, depreciation is not being recognized on the music library. This treatment is consistent with the accounting policy followed by other symphony orchestras in the United States that own similar music collections.

Investments

Investments are stated at fair value. Quoted market prices are used to determine the fair value of investments in mutual funds and common stocks. Investments in certificates of deposit and money market funds are valued at cost which approximates fair value. Realized and unrealized gains and losses are included in the accompanying consolidated statements of revenues and expenses without donor restriction.

Realized gains and losses on sales of investments are determined on the basis of specific identification of the security sold. The Organization considers all money market funds held at the Foundation to be investments based on management's intent to hold these funds for long-term purposes.

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

The Organization invests in various investment securities. Investment securities are exposed to various risks including, but not limited to, interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the consolidated statements of financial position.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met during the same year are reported in the net assets without donor restrictions classification.

The Organization recognizes revenues from both exchange and non-exchange transactions. For non-exchange transactions, which includes contributions, grants and sponsorships, and distributions from the Madison Community Foundation; revenue is recognized in the period the contribution, grant, sponsorship or distribution is received if the contribution is deemed to be unconditional. Revenue from conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

For revenue received from exchange transactions, revenue is recognized when control of the promised goods or services is transferred to the members or customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. Revenues from exchange transactions include revenue from ticket sales, membership dues, as well as hired concert income.

Ticket Sales

Revenue from ticket sales is recognized in the period in which the related performance obligation is satisfied, which is when the related performance occurs.

Membership Dues

Revenue from membership dues is recognized over the period of the membership, which is typically 12 months and begins at the beginning of each fiscal year.

Hired Concert Income

Revenue from hired concert income is recognized in the period in which the related performance obligation is satisfied, which is when the musical services are performed for the customer.

Deferred Revenue

Advance season ticket sales, advance payments for tickets to other events, and membership dues are recorded as deferred revenue until the underlying performance obligation is satisfied.

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

Classifications of Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions - Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of net assets without donor restrictions for specific purposes, projects, or investments.

Net Assets with Donor Restrictions - Net assets whose use has been limited by donor-imposed purpose restrictions or time restrictions, including net assets that have been restricted by donors to be maintained by the Organization in perpetuity.

Functional Expenses

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 charged as either Program Services, Fundraising or Administrative based on the nature of the expense. Costs which benefit several functions, such as salaries and payroll taxes, are allocated to those functions based on the estimated time spent on each function by each employee.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense was \$218,458 and \$11,795 in 2022 and 2021, respectively.

Sales Tax

The Organization records sales tax on the net method. All applicable taxes are recorded as a liability when incurred.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (that is, an exit price). ASC 820 establishes a three-tier fair value hierarchy, which prioritizes inputs used in fair value.

The fair value hierarchy is as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable.

Level 3 - Unobservable inputs developed using the Foundation's estimates and assumptions, which reflect those that market participants would use.

Madison Symphony Orchestra Inc.
Notes to Consolidated Financial Statements

When quoted prices in active markets for identical assets are available, the Organization uses these quoted market prices to determine the fair value of financial assets and classifies these as Level 1. In other cases, where quoted market prices for identical assets in an active market are either not available or not observable, fair values are measured using pricing models, such as matrix pricing. Securities measured at fair value by such methods or as quoted prices in an inactive market are classified as Level 2. In certain cases where there is limited activity or less transparency around inputs to the valuation including appraisal values, securities are classified within Level 3 of the valuation hierarchy.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy.

Assets measured at fair value consist of the following:

<i>June 30, 2022</i>	Level 1	Level 2	Level 3	Balance
Included in cash and cash equivalents				
Money market funds	\$ -	\$ 1,562,015	\$ -	\$ 1,562,015
Certificates of deposit	-	206,206	-	206,206
Total Included in Cash and Cash Equivalents	-	1,768,221	-	1,768,221
Unemployment Compensation Certificate of Deposit	-	56,008	-	56,008
Investments				
Money market funds		1,974,358	-	1,974,358
Common stocks	8,181,347	-	-	8,181,347
Equity mutual funds	7,317,127	-	-	7,317,127
Fixed income mutual funds	5,110,797	-	-	5,110,797
Total Investments	\$ 20,609,271	\$ 1,974,358	\$ -	\$ 22,583,629

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Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

<i>June 30, 2021</i>	Level 1	Level 2	Level 3	Balance
Included in cash and cash equivalents				
Money market funds	\$ -	\$ 1,246,102	\$ -	\$ 1,246,102
Certificates of deposit	-	205,742	-	205,742
Total Included in Cash and Cash Equivalents	-	1,451,844	-	1,451,844
Unemployment Compensation Certificate of Deposit	-	56,008	-	56,008
Investments				
Money market funds	-	1,206,556	-	1,206,556
Common stocks	9,271,067	-	-	9,271,067
Equity mutual funds	8,545,930	-	-	8,545,930
Fixed income mutual funds	5,718,719	-	-	5,718,719
Total Investments	\$ 23,535,716	\$ 1,206,556	\$ -	\$ 24,742,272

The Organization's valuation methodologies used to measure the fair value of its investments are described in Note 1 - Investments. There have been no changes in the methodologies used at June 30, 2022 and 2021. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although the Orchestra believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The update, along with ASU 2018-10, *Codification Improvements to Topic 842: Leases*, ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The ASU is effective for the Organization's fiscal year 2023. Management is currently evaluating the impact of these ASUs on their financial statements.

Madison Symphony Orchestra Inc.
Notes to Consolidated Financial Statements

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

<i>June 30,</i>	2022	2021
Cash in banks	\$ 1,048,052	\$ 717,577
Certificates of deposit	206,206	205,742
Money market funds	1,562,015	1,246,102
Total	\$ 2,816,273	\$ 2,169,421

3. Pledges and Bequests Receivable

At June 30, 2022 and 2021, the Organization had pledges and requests receivable to be used for future performance series. The Organization also had pledges and requests receivable that are restricted towards their endowment (Note 12).

<i>June 30,</i>	2022	2021
Amounts Due In		
Less than one year	\$ 313,348	\$ 244,271
One to five years	774,403	805,083
Total Pledges and Requests Receivable	1,087,751	1,049,354
Less discounts to net present value (3%)	567	567
Net Pledges and Requests Receivable	\$ 1,087,184	\$ 1,048,787

4. Investments

Investments are composed of the following:

<i>June 30,</i>	2022	2021
Money market funds	\$ 1,974,358	\$ 1,206,556
Common stocks	8,181,347	9,271,067
Equity mutual funds	7,317,127	8,545,930
Fixed income mutual funds	5,110,797	5,718,719
Total	\$ 22,583,629	\$ 24,742,272

Madison Symphony Orchestra Inc.
Notes to Consolidated Financial Statements

Net investment income from certificates of deposit, money market funds, and investments consists of:

<i>Year ended June 30,</i>	2022	2021
Interest and dividend income	\$ 996,550	\$ 1,070,217
Net realized and unrealized gains (losses)	(3,742,237)	4,405,048
Investment management fees	(77,101)	(66,851)
Investment Income, net	\$ (2,822,788)	\$ 5,408,414

5. Line of Credit

On November 1, 2016, the Organization entered into a \$100,000 demand line of credit line with BMO Harris Bank, N.A. The line of credit includes annual renewals and no stated maturity date. As of June 30, 2022 and 2021, there was no balance outstanding.

6. Leases

The Organization has a lease agreement with West Washington Associates, LLC for office space. The lease expired during 2022 but was renewed for an additional five years. The monthly lease payments are \$8,131.

The following is a schedule by years of future minimum lease payments for the office space:

<i>Years ended June 30,</i>	
2023	\$ 98,600
2024	97,566
2025	97,566
2026	97,566
2027	97,566
Thereafter	24,392
Total	\$ 513,256

Total office rent expense was \$27,946 and \$97,713 for the years ended June 30, 2022 and 2021, respectively.

The Orchestra has a lease agreement with the Overture Center Foundation. On each September 1, the term of the lease is automatically extended for an additional year. The amount of rent to be paid related to the lease changes annually. Therefore, the amounts related to this lease are not included in the above minimum lease payment schedule. The Foundation guarantees the obligation of the Orchestra to pay rent and other charges under the lease agreement if the Orchestra fails to make timely payment of the amount due. The maximum amount of the guarantee is \$200,000. The guarantee is effective for any obligation incurred on or before June 30, 2019. Total rent expense

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

relating to the Overture Center Foundation was \$259,528 and \$25,704 for the years ended June 30, 2022 and 2021, respectively.

7. Payroll Protection Program (PPP) Loan

In February 2021, the Organization entered into a \$504,700 note payable with a financial institution under the Paycheck Protection Program (PPP). The note had a fixed interest rate of 1.00% and was scheduled to mature in 5 years. The Organization submitted an application for loan forgiveness on September 10, 2021. Forgiveness for the full PPP loan amount was granted on October 6, 2021.

8. Unemployment Compensation Deposit

The Organization has elected the reimbursement (self-insured) method to finance the cost of unemployment compensation benefits. Under this method, unemployment compensation expense is charged to operations when paid or when the amount of claims can be reasonably estimated. In order to guarantee payment of eligible benefits, the Treasurer-Wisconsin Unemployment Compensation Division requires that the Organization obtain a letter of credit or certificate of deposit in an amount based upon the employer's payroll. In compliance with this requirement, the Organization obtained a certificate of deposit totaling \$56,008 as of both June 30, 2022, and 2021, respectively, to guarantee payment of benefits.

9. Tax Exempt Status

Madison Symphony Orchestra Inc. and Madison Symphony Orchestra Foundation Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The organizations are subject to income tax regulations in the United States federal jurisdiction and the State of Wisconsin. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

The organizations must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not the position will be sustained. The organizations do not believe there are any material uncertain tax positions, and, accordingly, have not recognized any liability for unrecognized tax benefits. For the years ended June 30, 2022 and 2021, there were no interest or penalties recorded or included in the financial statements.

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Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

<i>June 30,</i>	2022	2021
Time Restricted		
Future years' programs and operations	\$ 1,652,341	\$ 1,816,910
Permanently Restricted		
Great Performance Fund	4,154,226	4,148,227
Foundation funds held in perpetuity	5,523,234	5,443,234
Orchestra funds held in perpetuity	15,083	15,083
Total Net Assets With Donor Restrictions	\$ 11,344,884	\$ 11,423,454

Net assets with donor restrictions were released from donor restrictions as follows:

<i>Year ended June 30,</i>	2022	2021
Satisfaction of Program and Time Restrictions	\$ 930,521	\$ 604,287

11. Funds held by the Madison Community Foundation

The Madison Community Foundation holds funds as described below for the benefit of the Orchestra. In accordance with accounting standards, these funds are not recorded as assets of the Orchestra since the Madison Community Foundation has variance power over the funds. The balance of these funds was \$6,315,298 and \$6,789,260 at June 30, 2022 and 2021, respectively.

Endowment Fund

The Madison Community Foundation held investments of \$461,517 and \$494,733 at June 30, 2022 and 2021, respectively, for the benefit of the Organization and annually distributes to the Orchestra 4.25% of the twenty-quarter rolling average of the market value of the investments determined at December 31 of each year. Additional distributions may be requested by the Orchestra. However, such distributions will be made only if they are deemed by the Madison Community Foundation to benefit the Organization and the community.

Great Performance Fund

The Pleasant Rowland Great Performance Fund has been established as an endowment challenge grant fund at the Madison Community Foundation on behalf of the Organization Managed and held by Madison Community Foundation, the fund matched contributions donated as endowment funds dollar for dollar on a quarterly basis on dollars received from November 1, 2001 through December 31, 2011. The total match amount available on the challenge grant to the Organization was \$5,000,000. The amount available for annual distribution to the Organization is 4.25% of the

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

twenty-quarter rolling average of the market value of the Organization's part of the fund determined at December 31 of each year. The Madison Community Foundation holds investments of \$5,004,272 and \$5,381,056 in this endowment challenge grant fund as of June 30, 2022, and 2021, respectively.

The Madison Community Foundation also holds investments of \$849,510 and \$913,471 at June 30, 2022 and 2021, respectively, in a challenge grant fund as part of the Pleasant Rowland Great Performance Fund. These funds represent amounts contributed by donors as part of the Pleasant Rowland Great Performance Fund, with donor stipulation that the amounts remain at the Madison Community Foundation. The amount available for annual distribution to the Organization is 4.25% of the twenty-quarter rolling average of the market value of the Organization's part of the fund determined at December 31 of each year. All other eligible contributions received as part of the Great Performance Fund are made directly to the Organization or are passed through from the Madison Community Foundation to the Organization.

12. Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor-restricted gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently or temporarily restricted net assets is classified as unrestricted net assets. In accordance with UPMIFA, the Foundation considered the following factors in making a determination to distribute to the Orchestra or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Madison Symphony Orchestra Inc.
Notes to Consolidated Financial Statements

Endowment net asset composition by type of fund was as follows:

June 30, 2022

Donor-restricted endowment funds	\$ 10,528,850
Board-designated endowment funds	10,717,201
Total	\$ 21,246,051

June 30, 2021

Donor-restricted endowment funds	\$ 10,572,814
Board-designated endowment funds	13,180,094
Total	\$ 23,752,908

Endowment related activities by type of fund was as follows:

<i>Year ending June 30, 2022</i>	Board Designated	Donor Restricted	Total
Investment income	\$ 786,204	\$ -	\$ 786,204
Realized and unrealized gain on investments	(3,578,405)	-	(3,578,405)
Investment expenses	(77,101)	-	(77,101)
Distributions	129,964	(129,964)	-
Contributions	276,445	86,000	362,445
Total Change in Endowment Funds	\$ (2,462,893)	\$ (43,964)	\$ (2,506,857)

<i>Year ending June 30, 2021</i>	Board Designated	Donor Restricted	Total
Investment income	\$ 1,037,152	\$ -	\$ 1,037,152
Realized and unrealized loss on investments	4,194,391	-	4,194,391
Investment expenses	(66,851)	-	(66,851)
Distributions	(120,757)	120,757	-
Contributions	618,224	4,725	622,949
Total Change in Endowment Funds	\$ 5,662,159	\$ 125,482	\$ 5,787,641

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain. There were no such deficiencies of this nature in net assets without donor restrictions as of June 30, 2022 and 2021.

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

The long-term investment objective of the Foundation's portfolio is growth, while also avoiding excessive risk to principal. The long-term targeted total return for the Foundation's portfolio is at least five percent per annum plus the rate of inflation measured by the Consumer Price Index. The Foundation expects its endowment funds, over three to five years, to perform in line with various public indices.

The Foundation has established strategic asset allocation targets and ranges to achieve their long-term objective of growth. The allocation places an emphasis on large cap, equity-based investments.

The Foundation also has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior twelve quarters. The distribution determination is made annually in the fourth calendar quarter.

13. Concentrations

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and temporary cash investments. The Organization places its cash and temporary cash investments with high credit quality financial institutions. At times, such amounts may be in excess of the FDIC insurance limit. The Organization routinely assesses the financial strength of the institutions and, as a consequence, believes that its credit risk exposure is limited.

The Organization's musicians are part of a collective bargaining agreement that is renegotiated every three years. The current agreement expired June 30, 2022. The agreement was renewed through June 30, 2024.

14. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

<i>June 30,</i>	2022	2021
Financial Assets at Year End		
Cash and cash equivalents	\$ 2,816,273	\$ 2,169,421
Accounts receivable	28,900	363,174
Pledges receivable, due in one year	57,500	25,000
Investments	22,583,629	24,742,272
Total financial assets available within one year	25,486,302	27,299,867
Less:		
Amount unavailable for general expenditures within one year, due to:		
Portion of investments designated for endowment purposes	(10,661,339)	(13,180,093)
Portion of investments restricted for donor restricted purposes	(10,313,562)	(11,356,023)
Financial Assets Available to Management for General Expenditures within One Year	\$ 4,511,401	\$ 2,763,751

Madison Symphony Orchestra Inc.

Notes to Consolidated Financial Statements

The Orchestra maintains several financial reserve accounts to be used in the event of cash flow needs. A money market account housed in the same institution as the main deposit account is used to draw upon first when needed. The Orchestra also has an investment account and maintains a fairly conservative investment policy, helping to ensure that the cash balance is protected from the market's volatility. A line of credit is available which could be used to handle short-term operating cash needs, should the situation arise. This line of credit has not been utilized since it was opened.

15. CARES Act

As a result of the pandemic and pursuant to the Coronavirus Aid, Relief and Economic Security Act (CARES Act), during the years ended June 30, 2022 and 2021, the Organization recognized \$0 and \$498,733, respectively, related to refundable payroll tax credits for qualified wages paid to retained full-time employees. This is included in Employee Retention Credits on the consolidated statements of activities.

16. Subsequent events

Management has evaluated subsequent events through November 10, 2022, the date the consolidated financial statements were available to be issued.

On October 1, 2022, the Organization amended the bargaining agreement for the musicians, as described in Note 13, such that the new maturity date of the agreement is June 30, 2024.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

Our audits of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

November 10, 2022

Madison Symphony Orchestra Inc.
Consolidating Schedule of Financial Position

<i>June 30, 2022</i>	Orchestra	League	Foundation	Total
Assets				
Cash and cash equivalents	\$ 2,392,706	\$ 423,567	\$ -	\$ 2,816,273
Accounts receivable	19,280	9,620	-	28,900
Pledges and bequests receivable	77,500	-	1,009,684	1,087,184
Merchandise inventory	948	-	-	948
Prepaid expenses	47,609	600	-	48,209
Security deposit	4,000	-	-	4,000
Unemployment compensation deposit	56,008	-	-	56,008
Investments	2,347,262	-	20,236,367	22,583,629
Equipment, net of accumulated depreciation of \$377,743 for 2022 and \$356,825 for 2021	73,739	-	-	73,739
Music library	276,847	-	-	276,847
Organ, net of accumulated depreciation of \$84,191 for 2022 and \$62,228 for 2021	1,730,568	-	-	1,730,568
Total Assets	\$ 7,026,467	\$ 433,787	\$ 21,246,051	\$ 28,706,305
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 4,742	\$ 47,239	\$ -	\$ 51,981
Accrued expenses	15,943	-	-	15,943
Deferred revenue	798,923	90,821	-	889,744
Total Current Liabilities	819,608	138,060	-	957,668
Total Liabilities	819,608	138,060	-	957,668
Net Assets				
Without donor restrictions	5,390,825	295,727	10,717,201	16,403,753
With donor restrictions	816,034	-	10,528,850	11,344,884
Total Net Assets	6,206,859	295,727	21,246,051	27,748,637
Total Liabilities and Net Assets	\$ 7,026,467	\$ 433,787	\$ 21,246,051	\$ 28,706,305

See accompanying independent auditor's report on supplementary information.

Madison Symphony Orchestra Inc.

Consolidating Schedule of Activities

<i>Year ended June 30, 2022</i>	Orchestra	League	Foundation	Total
Change in Net Assets - Without Donor Restrictions				
Revenues				
Admissions				
Ticket sales	\$ 1,544,582	\$ -	\$ -	\$ 1,544,582
Fundraising				
Contributions and membership dues	1,574,515	10,085	276,445	1,861,045
Sales and membership events (net)	4,274	44,816	-	49,090
Concert on the Green	-	160,910	-	160,910
Other				
Hired concert income	274,378	-	-	274,378
Program advertising	5,300	-	-	5,300
MCF distributions	278,812	-	-	278,812
Investment income (loss), net	46,024	490	(2,869,302)	(2,822,788)
Miscellaneous	26,972	-	-	26,972
Government grants	917,901	-	-	917,901
PPP Loan Forgiveness	504,700	-	-	504,700
Total Revenues - Without Donor Restrictions	5,177,458	216,301	(2,592,857)	2,800,902
Net assets released from restrictions	800,557	-	129,964	930,521
Total Net Assets Released From Restrictions, Revenues, and Other Support	5,978,015	216,301	(2,462,893)	3,731,423
Expenses				
Program Services				
Production	4,016,380	24,232	-	4,040,612
Supporting Services				
Fundraising	-	111,559	-	111,559
General and Administrative	1,037,707	18,854	-	1,056,561
Total Expenses	5,054,087	154,645	-	5,208,732
Change in Net Assets - Without Donor Restrictions	923,928	61,656	(2,462,893)	(1,477,309)
Change in Net Assets - With Donor Restrictions				
Contributions	765,951	-	86,000	851,951
Net assets released from restrictions	(800,557)	-	(129,964)	(930,521)
Change in Net Assets - With Donor Restrictions	(34,606)	-	(43,964)	(78,570)
Change in Net Assets - Without and With Donor Restrictions	889,322	61,656	(2,506,857)	(1,555,879)
Net Assets, beginning of year	5,317,537	234,071	23,752,908	29,304,516
Net Assets, end of year	\$ 6,206,859	\$ 295,727	\$ 21,246,051	\$ 27,748,637

See accompanying independent auditor's report on supplementary information.

Madison Symphony Orchestra Inc.

Schedule of Investments

<i>June 30, 2022</i>	Cost	Fair Value
Common stocks	\$ 5,540,527	\$ 8,181,347
Equity mutual funds	5,949,705	7,317,127
Fixed income mutual funds	5,513,001	5,110,797
Money market funds	1,974,358	1,974,358
Total	\$ 18,977,591	\$ 22,583,629

Investments allocated to net assets without or with donor restrictions are as follows:

Without donor restrictions	\$ 12,270,067
With donor restrictions	10,313,562
Total	\$ 22,583,629

See accompanying independent auditor's report on supplementary information.

Madison Symphony Orchestra Inc.

Schedules of Consolidated Ticket Sales

<i>Year ended June 30,</i>	2022	2021
Ticket Sales		
Season	\$ 860,772	\$ -
Single	582,463	-
Service charge	14,272	8,985
Youth performance	2,028	-
Beyond the Score	81,799	-
Link Up Ticket Revenue	2,528	-
Club 201 membership	720	-
Total Ticket Sales	\$ 1,544,582	\$ 8,985

See accompanying independent auditor's report on supplementary information.

Madison Symphony Orchestra Inc.

Schedules of Consolidating Expenses

Year ended June 30,	2022			2021		
	Orchestra	League	Total	Orchestra	League	Total
Program Services						
Production						
Artistic Personnel						
Orchestra and conductor	\$ 1,558,838	\$ -	\$ 1,558,838	\$ 1,322,279	\$ -	\$ 1,322,279
Guest artists	292,878	-	292,878	15,704	-	15,704
Orchestra and conductor payroll taxes	111,533	-	111,533	86,849	-	86,849
Total Artistic Personnel	1,963,249	-	1,963,249	1,424,832	-	1,424,832
Concert Production						
Music performance fees	-	-	-	22,095	-	22,095
Music rentals and purchases	23,263	-	23,263	690	-	690
Hall rental	259,528	-	259,528	25,704	-	25,704
Programs	58,155	-	58,155	1,750	-	1,750
Miscellaneous concert production	151,307	-	151,307	28,674	-	28,674
Stagehands	111,846	-	111,846	9,819	-	9,819
Ushers	29,575	-	29,575	-	-	-
Security	36,165	-	36,165	1,188	-	1,188
Tickets	65,655	-	65,655	-	-	-
Overture surcharge	112,427	-	112,427	-	-	-
Other	112,571	-	112,571	65,652	-	65,652
Total Concert Production	960,492	-	960,492	155,572	-	155,572
Educational Projects						
Youth programs	71,431	-	71,431	28,725	9,899	38,624
Total Educational Projects	71,431	-	71,431	28,725	9,899	38,624
Season Promotion						
Brochure and promotion	83,879	-	83,879	95,929	-	95,929
Advertising	214,767	3,691	218,458	11,795	-	11,795
Donated advertising and design	-	-	-	-	-	-
Newsletter	82,370	-	82,370	23,166	-	23,166
Postage	35,381	1,494	36,875	21,310	-	21,310
Other	173,763	15,811	189,574	87,946	-	87,946
Total Season Promotion	590,160	20,996	611,156	240,146	-	240,146
Other Production Expenses						
Membership	72,098	-	72,098	3,500	-	3,500
Sales tax	72,321	869	73,190	-	-	-
Lunches, dinners, and travel	10,719	2,367	13,086	1,189	-	1,189
Dues and subscriptions	16,311	-	16,311	14,979	-	14,979
Equipment lease	37,114	-	37,114	25,114	-	25,114
Salaries	222,485	-	222,485	443,635	-	443,635
Total Other Production Expenses	431,048	3,236	434,284	488,417	-	488,417
Total Production Expenses	\$ 4,016,380	\$ 24,232	\$ 4,040,612	\$ 2,337,692	\$ 9,899	\$ 2,347,591

See accompanying independent auditor's report on supplementary information.

Madison Symphony Orchestra Inc.
Schedules of Consolidating Expenses (continued)

Year ended June 30,	2022			2021		
	Orchestra	League	Total	Orchestra	League	Total
Supporting Services						
Fundraising						
Campaign						
Concert on the Green	\$ -	\$ 92,905	\$ 92,905	\$ -	\$ -	\$ -
Sales and membership events	-	18,654	18,654	-	4,291	4,291
Other	-	-	-	-	-	-
Total Campaign	-	111,559	111,559	-	4,291	4,291
Other Fundraising Expenses						
Salaries	-	-	-	223,754	-	223,754
Total Other Fundraising Expenses	-	-	-	223,754	-	223,754
Total Fundraising Expenses	\$ -	\$ 111,559	\$ 111,559	\$ 223,754	\$ 4,291	\$ 228,045
General and Administrative						
General Administration						
Printing	\$ 14,670	\$ -	\$ 14,670	\$ 11,712	\$ -	\$ 11,712
Salaries	708,554	-	708,554	393,981	-	393,981
Other	163,831	18,854	182,685	-	-	-
Total General Administration	887,055	18,854	905,909	405,693	-	405,693
General Operating						
Telephone	2,709	-	2,709	5,713	-	5,713
Payroll tax	51,449	-	51,449	61,888	-	61,888
Professional fees	25,668	-	25,668	30,023	-	30,023
Depreciation	42,880	-	42,880	47,795	-	47,795
Rent	27,946	-	27,946	97,713	-	97,713
Total General Operating	150,652	-	150,652	243,132	-	243,132
Total General and Administrative Expenses	\$ 1,037,707	\$ 18,854	\$ 1,056,561	\$ 648,825	\$ -	\$ 648,825
Total Supporting Services	\$ 1,037,707	\$ 130,413	\$ 1,168,120	\$ 872,579	\$ 4,291	\$ 876,870
Total Expenses	\$ 5,054,087	\$ 154,645	\$ 5,208,732	\$ 3,210,271	\$ 14,190	\$ 3,224,461

See accompanying independent auditor's report on supplementary information.