

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

(With Summarized Totals for the Year Ended June 30, 2018)

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE

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Independent Auditor's Report

Board of Directors
Milwaukee Repertory Theater, Inc. and Affiliate

We have audited the accompanying financial statements of Milwaukee Repertory Theater, Inc. and Affiliate which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Repertory Theater, Inc. and Affiliate as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Board of Directors
Milwaukee Repertory Theater, Inc. and Affiliate

Report on Summarized Comparative Information

We have previously audited Milwaukee Repertory Theater, Inc. and Affiliate's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of unrestricted activities reconciled to operating budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
January 7, 2020

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Summarized Totals for June 30, 2018)

	ASSETS			
	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
CURRENT ASSETS				
Cash and Cash Equivalents (NOTES A-4 and E)	\$ 4,527,121	\$ 479,558	\$ 5,006,679	\$ 5,985,933
Investments (NOTES A-8 and F-H)	7,255,739	4,152,423	11,408,162	9,534,539
Interest Receivable	24,955	---	24,955	22,498
Pledges Receivable (NOTES A-5 and I)	144,291	1,634,662	1,778,953	2,027,401
Loan Receivable (NOTES A-6 and J)	---	---	---	12,173
Other Receivables	237,501	---	237,501	108,028
Inventory (NOTES A-9 and K)	61,197	---	61,197	63,346
Prepaid Expenses	481,673	---	481,673	430,040
Total Current Assets	<u>\$ 12,732,477</u>	<u>\$ 6,266,643</u>	<u>\$ 18,999,120</u>	<u>\$ 18,183,958</u>
INVESTMENTS (NOTES A-8 and F-H)	<u>\$ ---</u>	<u>\$ 10,669,930</u>	<u>\$ 10,669,930</u>	<u>\$ 10,320,415</u>
PLEDGES RECEIVABLE (NOTES A-5 and I)	<u>\$ 144,291</u>	<u>\$ 2,557,076</u>	<u>\$ 2,701,367</u>	<u>\$ 3,779,392</u>
Less: Current Portion	(144,291)	(1,634,662)	(1,778,953)	(2,027,401)
Long-Term Pledges Receivable	<u>\$ ---</u>	<u>\$ 922,414</u>	<u>\$ 922,414</u>	<u>\$ 1,751,991</u>
FIXED ASSETS (NOTES A-7 and L)				
Total Fixed Assets	\$ 23,597,271	\$ ---	\$ 23,597,271	\$ 22,124,349
Less: Accumulated Depreciation	(15,437,689)	---	(15,437,689)	(14,710,335)
Net Fixed Assets	<u>\$ 8,159,582</u>	<u>\$ ---</u>	<u>\$ 8,159,582</u>	<u>\$ 7,414,014</u>
Due To/From Funds	<u>\$ (2,503,538)</u>	<u>\$ 2,503,538</u>	<u>\$ ---</u>	<u>\$ ---</u>
TOTAL ASSETS	<u><u>\$ 18,388,521</u></u>	<u><u>\$ 20,362,525</u></u>	<u><u>\$ 38,751,046</u></u>	<u><u>\$ 37,670,378</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 757,493	\$ ---	\$ 757,493	\$ 751,719
Deferred Revenue (NOTE M)	4,079,017	---	4,079,017	3,791,172
Total Current Liabilities	<u>\$ 4,836,510</u>	<u>\$ ---</u>	<u>\$ 4,836,510</u>	<u>\$ 4,542,891</u>
Total Liabilities	<u>\$ 4,836,510</u>	<u>\$ ---</u>	<u>\$ 4,836,510</u>	<u>\$ 4,542,891</u>
NET ASSETS (NOTE A-11)				
Without Donor Restrictions				
Operating	\$ 8,186,925	\$ ---	\$ 8,186,925	\$ 7,438,615
Board Designated (NOTE A-10)	5,365,086	---	5,365,086	4,314,023
Total Net Assets Without Donor Restrictions	<u>\$ 13,552,011</u>	<u>\$ ---</u>	<u>\$ 13,552,011</u>	<u>\$ 11,752,638</u>
With Donor Restrictions	<u>\$ ---</u>	<u>\$ 20,362,525</u>	<u>\$ 20,362,525</u>	<u>\$ 21,374,849</u>
Total Net Assets	<u>\$ 13,552,011</u>	<u>\$ 20,362,525</u>	<u>\$ 33,914,536</u>	<u>\$ 33,127,487</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,388,521</u></u>	<u><u>\$ 20,362,525</u></u>	<u><u>\$ 38,751,046</u></u>	<u><u>\$ 37,670,378</u></u>

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions		With Donor Restrictions					2019 Total	2018 Total
	Operating	Board Designated	Total	Operating	Special Projects	Theater Fund	Endowment Income	Permanently Restricted	Total
INCOME									
Public Support									
Wisconsin Arts Board	\$ 17,500	\$ ---	\$ 17,500	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 47,500
Milwaukee County	---	---	---	---	---	---	---	---	49,304
NEA Grant	30,000	---	30,000	---	---	---	---	---	20,000
City of Milwaukee	---	---	---	---	---	---	---	---	7,000
UPAF Grant	1,742,889	---	1,742,889	---	---	---	---	---	1,871,535
Foundations	346,104	---	346,104	---	---	---	---	---	780,682
Corporate Grants	124,748	---	124,748	331,500	101,740	---	---	1,338	1,191,040
Contributions	1,040,607	---	1,218,246	175,000	---	---	---	---	360,205
Fundraising Events	---	177,639	---	736,280	265,149	---	---	17,882	4,991,015
Income	397,598	---	397,598	26,868	---	---	---	---	465,636
Expense	(188,627)	---	(188,627)	---	---	---	---	---	(176,699)
Net Assets Released from Restrictions	3,502,767	(46,905)	3,455,861	(1,426,438)	---	(265,203)	(524,000)	---	---
Total Public Support	\$ 7,013,586	\$ 130,733	\$ 7,144,319	\$ (156,790)	\$ (873,331)	\$ (265,203)	\$ (524,000)	\$ 19,220	\$ 8,826,536
Earned Income									
Box Office Income	\$ 7,089,703	---	\$ 7,089,703	---	---	---	---	---	\$ 6,342,376
Coproduction Income	209,886	---	209,886	---	---	---	---	---	92,853
Concessions Sales - Net of Cost	611,855	---	611,855	---	---	---	---	---	448,326
Education Programs	84,953	---	84,953	---	---	---	---	---	87,767
Ticket Handling	143,543	---	143,543	---	---	---	---	---	143,543
Building Restoration Fee	---	324,250	324,250	---	---	---	---	---	153,466
Other Earned Income	127,132	---	127,132	---	---	---	---	---	129,877
Investment Income (NOTE F)	112,934	159,953	272,887	---	---	1,518	780,478	---	960,707
Total Earned Income	\$ 8,360,006	\$ 484,203	\$ 8,844,209	---	---	5,784	780,478	---	\$ 9,651,989
Total Income	\$ 15,393,592	\$ 614,936	\$ 16,008,528	\$ (156,790)	\$ (873,331)	\$ (267,901)	\$ 256,478	\$ 19,220	\$ 14,996,204
EXPENSES									
Program Services									
Artistic	\$ 3,483,597	---	\$ 3,483,597	---	---	---	---	---	\$ 3,483,597
Education Programs	643,013	---	643,013	---	---	---	---	---	643,013
Production	3,437,981	10,541	3,448,522	---	---	---	---	---	3,448,522
Marketing	2,420,850	---	2,420,850	---	---	---	---	---	2,033,026
Concessions	539,032	---	539,032	---	---	---	---	---	539,032
Facilities	805,428	95,398	900,826	---	---	---	---	---	900,826
Administrative and General	987,262	195,567	1,186,829	---	---	---	---	---	1,186,829
Development	859,132	---	859,132	---	---	---	---	---	800,975
Total Expenses Without Depreciation	\$ 13,176,295	\$ 305,506	\$ 13,481,801	---	---	---	---	---	\$ 13,481,801
CHANGE IN NET ASSETS BEFORE DEPRECIATION	\$ 2,217,297	\$ 309,430	\$ 2,526,727	\$ (156,790)	\$ (873,331)	\$ (267,901)	\$ 256,478	\$ 19,220	\$ 1,514,403
Depreciation	727,354	---	727,354	---	---	---	---	---	727,354
CHANGE IN NET ASSETS AFTER DEPRECIATION	\$ 1,489,943	\$ 309,430	\$ 1,799,373	\$ (156,790)	\$ (873,331)	\$ (267,901)	\$ 256,478	\$ 19,220	\$ 787,049
Net Assets, Beginning of Year	7,438,615	4,314,023	11,752,638	2,173,820	3,315,692	257,901	3,875,924	11,751,512	33,127,487
Transfers	(741,633)	741,633	---	---	---	---	---	---	---
NET ASSETS, END OF YEAR	\$ 8,186,925	\$ 5,365,086	\$ 13,552,011	\$ 2,017,030	\$ 2,442,361	\$ ---	\$ 4,132,402	\$ 11,770,732	\$ 33,914,536
									\$ 33,127,487

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

	Artistic	Education	Production	Marketing	Concessions	Facilities	Administrative and General	Development	2019 Total	2018 Total
EXPENSES										
PERSONNEL										
Salaries and Fees	\$ 1,895,200	\$ 314,173	\$ 1,935,694	\$ 689,137	\$ 356,711	\$ 221,000	\$ 634,756	\$ 510,309	\$ 6,556,980	\$ 5,861,723
Payroll Taxes	139,550	30,382	190,431	66,824	54,145	19,552	48,851	36,712	586,447	561,819
Pension and Welfare	433,953	42,340	422,381	101,919	46,676	28,577	52,958	70,358	1,199,162	1,077,100
Travel, Housing and Per Diem	370,666	103,657	18,354	390	---	---	8,720	---	501,787	381,550
Other Personnel	5,891	53,791	2,673	2,350	1,127	779	14,693	3,521	84,825	131,951
Total Personnel	\$ 2,845,260	\$ 544,343	\$ 2,569,533	\$ 860,620	\$ 458,659	\$ 269,908	\$ 759,978	\$ 620,900	\$ 8,929,201	\$ 8,014,143
OTHER EXPENSES										
Travel and Conferences	\$ 45,979	\$ 29,578	\$ 6,694	\$ 6,458	\$ ---	\$ 127	\$ 15,055	\$ 17,288	\$ 121,179	\$ 90,550
Equipment	232	4,381	125,785	8,780	22,550	102,426	52,143	2,530	318,827	242,362
IT Equipment and Service	2,804	938	6,303	123,279	900	---	90,699	---	224,923	197,109
Hospitality and Programs	3,781	19,603	3,094	33,017	---	---	19,202	63,835	142,532	148,634
Insurance	---	2,085	---	---	---	---	9,634	---	11,719	45,256
Materials and Supplies	9,866	3,720	329,163	29,885	31,057	52,747	714	587	457,739	388,159
Office and Miscellaneous	12,897	3,943	6,335	9,994	4,626	362	56,077	4,079	98,313	65,428
Postage and Mailing Services	230	193	36,050	142,166	1	---	4,093	17,104	199,837	179,797
Printing and Signage	64	2,513	1,497	212,794	57	---	168	34,646	251,739	201,096
Professional Services	34,843	30,715	61,673	216,726	---	96,256	122,319	13,336	575,868	285,145
Telephone, Fax and Internet	1,874	---	---	7,294	---	2,261	28,046	---	39,475	30,714
Interest Expense	---	---	---	---	---	---	145	---	145	---
Advertising (NOTE A-13)	---	---	---	480,443	---	---	---	253	480,696	383,771
Bank and Credit Card Fees	---	---	---	197,463	21,144	---	13,148	21,571	253,326	211,782
Telemarketing Commissions	---	---	---	42,114	---	---	---	63,003	105,117	183,141
Coproduction Expense	41,386	---	31,957	---	---	---	---	---	73,343	---
Royalties	475,330	200	---	---	---	---	---	---	475,530	428,976
Repairs and Maintenance	---	---	25,235	49,817	38	208,809	237	---	284,136	35,247
Rent	9,051	801	245,203	---	---	---	120	---	255,175	254,842
Utilities	---	---	---	---	---	167,930	46	---	167,976	163,533
Unrelated Business Income Tax	---	---	---	---	---	---	15,005	---	15,005	6,189
Depreciation	---	---	---	---	---	727,354	---	---	727,354	683,359
Total Other Expenses	\$ 638,337	\$ 98,670	\$ 878,989	\$ 1,560,230	\$ 80,373	\$ 1,358,272	\$ 426,851	\$ 238,232	\$ 5,279,954	\$ 4,225,090
Subtotal	\$ 3,483,597	\$ 643,013	\$ 3,448,522	\$ 2,420,850	\$ 539,032	\$ 1,628,180	\$ 1,186,829	\$ 859,132	\$ 14,209,155	\$ 12,239,233
Special Event Expenses										
Rent and Facility	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 64,509	\$ 64,509	\$ 54,766
Food and Beverages	---	---	---	---	---	---	---	6,026	6,026	3,940
Entertainment	---	---	---	---	---	---	---	17,237	17,237	22,439
Supplies	---	---	---	---	---	---	---	37,488	37,488	13,149
Other Expenses	---	---	---	---	---	---	---	63,367	63,367	82,405
Total Special Events	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 188,627	\$ 188,627	\$ 176,699
Total Expenses	\$ 3,483,597	\$ 643,013	\$ 3,448,522	\$ 2,420,850	\$ 539,032	\$ 1,628,180	\$ 1,186,829	\$ 1,047,759	\$ 14,397,782	\$ 12,415,932

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 787,049	\$ 4,943,898
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	727,354	683,359
Realized/Unrealized (Gain) Loss on Investments (NOTE F)	(312,590)	(477,482)
(Increase) Decrease in Interest Receivable	(2,457)	(10,211)
(Increase) Decrease in Pledges Receivable	1,078,025	(1,463,395)
(Increase) Decrease in Loan Receivables	12,173	---
(Increase) Decrease in Other Receivables	(129,473)	(22,817)
(Increase) Decrease in Inventory	2,149	(12,096)
(Increase) Decrease in Prepaid Expenses	(51,633)	79,497
Increase (Decrease) in Accounts Payable	5,774	135,120
Increase (Decrease) in Deferred Revenue	287,845	239,723
Net Cash Provided by Operating Activities	<u>\$ 2,404,216</u>	<u>\$ 4,095,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (1,472,922)	\$ (1,114,902)
Proceeds from Sale of Investments	7,757,273	8,679,256
Purchase of Investments	<u>(9,667,821)</u>	<u>(10,215,559)</u>
Net Cash Used by Investing Activities	<u>\$ (3,383,470)</u>	<u>\$ (2,651,205)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (979,254)	\$ 1,444,391
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,985,933</u>	<u>4,541,542</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,006,679</u></u>	<u><u>\$ 5,985,933</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 145	\$ ---
Donated Stock	---	968,870

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - Summary of Significant Accounting Policies

A-1 Organization

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

A-2 Combined Financial Statements

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

A-3 Accounting Method

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

A-4 Cash and Cash Equivalents

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

A-5 Pledges Receivable

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

A-6 Loan Receivable

Loan receivable is stated at the unpaid balance. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. There is no allowance on this loan as management believes it is fully collectable at any time.

A-7 Fixed Assets

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

A-8 Investments

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - Summary of Significant Accounting Policies (continued)

A-9 Inventory

Inventory is valued at cost.

A-10 Board Designated Net Assets

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

	<u>2019</u>	<u>2018</u>
Cash Reserve Fund	\$3,948,272	\$3,259,262
Building Reserve Fund	<u>1,416,814</u>	<u>1,054,761</u>
Total Board Designated Net Assets	<u>\$5,365,086</u>	<u>\$4,314,023</u>

A-11 Basis of Presentation

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

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

	<u>2019</u>	<u>2018</u>
Operating	\$ 1,811,554	\$ 2,127,751
Rose Pickering Fund	9,083	10,584
Larry Shue Fund	196,393	35,485
Theater Fund	---	257,901
Special Projects	2,442,361	3,315,692
Endowment	11,770,732	11,751,512
Endowment Income	<u>4,132,402</u>	<u>3,875,924</u>
Total Net Assets With Donor Restrictions	<u>\$20,362,525</u>	<u>\$21,374,849</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - Summary of Significant Accounting Policies (continued)

A-12 Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

A-13 Advertising Costs

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

A-14 Estimates

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

A-15 Functional Expenses

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

NOTE B - Comparative Financial Information

The financial information shown for 2018 in the accompanying financial statements is included to provide a basis for comparison with 2019 and presents summarized totals only. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

For comparability, certain 2018 amounts have been reclassified to conform with classifications adopted in 2019. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE C - Accounting Change

For the year ended June 30, 2019, the Organization's financial statements changed to adopt the *Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, effective for years beginning after December 15, 2017. This update is required and makes significant changes in reporting of net asset classes, liquidity and functional expenses. Before the change, net assets had three classifications including unrestricted, temporarily restricted, and permanently restricted. After the change, net assets are considered to be with donor restrictions and without donor restrictions. Before the change, the amount of an endowment considered to be underwater reduced unrestricted net assets. After the change, the amount of an endowment considered to be underwater reduces net assets with donor restrictions. Other new requirements include presenting a statement of functional expenses and footnotes providing information about the functional expenses and liquid financial assets of the Organization.

The Rep applied the change on a retrospective basis within the summarized comparative information for the year ended June 30, 2018, and in information for the year ended June 30, 2019. The effect of this change resulted in the endowment net assets that were previously considered to be permanently restricted of \$11,751,512 and other net assets that were previously considered to be temporarily restricted of \$9,623,337 being reflected together as net assets with donor restrictions as of June 30, 2018. The change also resulted in a presentation which includes a statement of functional expenses and functional expense and liquidity footnotes.

NOTE D - Liquidity

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

Cash and Cash Equivalents	\$ 4,527,121
Investments	7,255,739
Interest Receivable	24,955
Inventory	61,197
Pledges Receivable	144,291
Other Receivables	<u>237,501</u>
Total Financial Assets	<u>\$12,250,804</u>

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

Cash and Cash Equivalents	\$ 479,558
Investments	4,152,423
Pledges Receivable	<u>1,628,542</u>
Total Financial Assets	<u>\$6,260,523</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE E - Concentration of Credit Risk

The Organization maintains cash and cash equivalent balances. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the total uninsured balance was \$541,663.

NOTE F - Investments

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

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE F - Investments (continued)

Investments as of June 30, 2018, consist of the following:

Professionally Advised by Marquette Associates, Inc.:	
Mutual Funds	\$11,720,611
Equities	2,063,883
Real Estate Fund	1,305,928
Senior Secured Loan Fund	799,388
Donated Equities Pending Sale	24,908
Greater Milwaukee Foundation (GMF) Agency Fund	97,917
Certificates of Deposit less than one year:	
Actors Federal Credit Union	133,830
Charles Schwab, various banks	1,802,344
US Treasury Notes:	
Less than one year	1,286,868
Greater than one year	<u>619,277</u>
Total	<u>\$19,854,954</u>
Investments - Current	\$ 9,534,539
Investments - Long-Term	<u>10,320,415</u>
Total Investments	<u>\$19,854,954</u>

Investments are stated at fair market value. Aggregate cost, aggregate fair market value, and gross unrealized gain (loss) as of June 30, 2019 and 2018, are summarized as follows:

	<u>Aggregate Cost</u>	<u>Aggregate Fair Market Value</u>	<u>Gross Unrealized Gain</u>
2019	\$20,963,851	\$22,078,092	\$1,114,241
2018	\$18,837,349	\$19,854,954	\$1,017,605

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE F - Investments (continued)

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

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 482,180	\$ 386,173
Capital Gains Distributions	263,551	97,052
Realized Gain	215,251	785,750
Unrealized Gain (Loss)	<u>98,167</u>	<u>(308,268)</u>
Total	\$1,059,149	\$ 960,707
Less: Non-Operating		
Investment Income	<u>946,215</u>	<u>889,870</u>
Operating Investment		
Income	<u>\$ 112,934</u>	<u>\$ 60,837</u>

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

NOTE G - Fair Value Measurements

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE G - Fair Value Measurements (continued)

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

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

The Organization's real estate fund is managed by American Core Realty Fund, LP.

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

	<u>2019</u>	<u>2018</u>
Beginning Net Asset Value as of July 1	\$1,305,928	\$1,220,659
Income - Reinvested	65,415	60,999
Unrealized Gain or Loss	<u>18,424</u>	<u>24,270</u>
Ending Net Asset Value as of June 30	<u>\$1,389,767</u>	<u>\$1,305,928</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE G - Fair Value Measurements (continued)

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

	<u>2019</u>	<u>2018</u>
Beginning Net Asset Value as of July 1	\$799,388	\$634,529
Purchase	---	120,000
Income - Reinvested	41,527	44,139
Unrealized Gain or Loss	<u>(12,909)</u>	<u>720</u>
Ending Net Asset Value as of June 30	<u>\$828,006</u>	<u>\$799,388</u>

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

	<u>2019</u>	<u>2018</u>
Beginning Net Asset Value as of July 1	\$97,917	\$ ---
Purchase	---	100,000
Investment Income Net of Fees	3,387	(515)
Grants Received	<u>(5,043)</u>	<u>(1,568)</u>
Ending Net Asset Value as of June 30	<u>\$96,261</u>	<u>\$ 97,917</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE G - Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 2,088,791	\$ 2,088,791	\$ ---	\$ ---
Mutual Funds	11,720,611	11,720,611	---	---
US Treasury Notes	1,906,145	1,906,145	---	---
CDs	1,936,174	---	1,936,174	---
GMF Agency Fund	97,917	---	---	97,917
Real Estate Fund	1,305,928	---	---	1,305,928
Senior Secured Loan	<u>799,388</u>	<u>---</u>	<u>---</u>	<u>799,388</u>
Total	<u>\$19,854,954</u>	<u>\$15,715,547</u>	<u>\$1,936,174</u>	<u>\$2,203,233</u>

NOTE H - Investments - Donor-Designated Endowment

Interpretation of Relevant Law

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

Endowment Investment and Spending Policies

The Organization has adopted the following investment, acceptable investment, and risk and spending policies. These policies were updated during June 2013. Below is a summary of these policies:

Summarized Investment Policy

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Summarized Investment Policy (continued)

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

A. Cash Reserve Fund

Since the Cash Reserve Fund is available for operating shortfalls, the Cash Reserve Fund will be managed separately in a combination of money market, short and intermediate bonds, and equity funds.

B. Building Reserve Fund and Theater Fund

These funds are intended to serve as the funding vehicle for building and theater maintenance and capital improvements. An amount equal to the next two years estimated net expenditures will be maintained in fixed income securities and the remaining in a balanced portfolio of fixed income and equity funds designed to maximize income consistent with preserving capital.

C. Enhancement Fund

The overall investment objective is to maximize the total return consistent with the preservation of principal and the guidelines established herein. The fund will be managed separately in a combination of bonds, bond funds, mutual funds, and non-traditional investments.

Disbursement Policy

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

A. Cash Reserve Fund

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

B. Building Reserve Fund and Theater Fund

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

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

C. Enhancement Fund

The Enhancement Fund will be disbursed as follows:

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

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

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

	<u>Total</u>
Endowment Funds without Donor Restrictions	\$ ---
Endowment Funds with Donor Restrictions	<u>16,046,281</u>
Total Endowment Funds	<u>\$16,046,281</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	<u>Total</u>
Endowment Funds without Donor Restrictions	\$ ---
Endowment Funds with Donor Restrictions	<u>15,931,408</u>
Total Endowment Funds	<u>\$15,931,408</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$15,931,408
Contributions	---	180,247
Investment Income	---	787,781
Amounts Appropriated for Expenditure	<u>---</u>	<u>(853,151)</u>
Endowment Net Assets, End of Year	<u>\$ ---</u>	<u>\$16,046,281</u>

Changes in endowment net assets as of June 30, 2018, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$ 14,973,269
Contributions	---	990,662
Investment Income	---	883,993
Amounts Appropriated for Expenditure	<u>---</u>	<u>(916,516)</u>
Endowment Net Assets, End of Year	<u>\$ ---</u>	<u>\$15,931,408</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE I - Pledges Receivable

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

Pledges Receivable	\$2,767,704
Less: PV discount on Pledges Receivable	(60,237)
Less: Allowance for Doubtful Accounts	<u>(6,100)</u>
Net Pledges Receivable	<u>\$2,701,367</u>
Pledges Receivable - Current	\$1,778,953
Pledges Receivable - Long-Term	<u>922,414</u>
Net Pledges Receivable	<u>\$2,701,367</u>

Present Value Discount was calculated at the rate of 2.75% on June 30, 2019.

Future expected receipts are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$1,778,953
2021	696,051
2022	270,200
2023	21,500
2024	<u>1,000</u>
Total Future Expected Receipts	<u>\$2,767,704</u>

Pledges receivable are shown net of an allowance for doubtful accounts based on analysis of pledges for the year ended June 30, 2018, as follows:

Pledges Receivable	\$3,868,701
Less: PV discount on Pledges Receivable	(83,209)
Less: Allowance for Doubtful Accounts	<u>(6,100)</u>
Net Pledges Receivable	<u>\$3,779,392</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE J - Loan Receivable

As of June 30, 2019 and 2018, the Organization had a loan receivable in the amount of \$- and \$12,173. The receivable was payable upon the demand of the Organization, unless the borrower became subject to bankruptcy or insolvency proceedings. The Organization determined to write-off the loan during the year. No collections were made on the loan.

Credit Quality Indicators

The Organization has established the following indicator for the only current loan receivable. Low Risk - Unimpaired loans are defined as loans to an affiliate member organization that is fiscally sound. If additional loans are extended the Organization will add additional Credit Quality Indicators as needed.

Loan receivable as of June 30, 2018 is as follows:

<u>Loan Type</u>	<u>Loan Receivable</u>	<u>Allowance Amount</u>
Low Risk - Unimpaired	<u>\$12,173</u>	<u>\$ ---</u>
Total	<u>\$12,173</u>	<u>\$ ---</u>

NOTE K - Inventory

Inventory as of June 30, 2019 and 2018, consists of the following:

<u>Inventory Item</u>	<u>2019</u>	<u>2018</u>
Food and Beverage	\$31,436	\$20,877
Merchandise	7,172	10,153
Supplies	<u>22,589</u>	<u>32,316</u>
Total	<u>\$61,197</u>	<u>\$63,346</u>

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE L - Fixed Assets

Fixed assets as of June 30, 2019 and 2018, consists of the following:

<u>At Cost:</u>	<u>2019</u>	<u>2018</u>
Building and Improvements	\$ 17,627,020	\$ 16,058,140
River Walk	413,349	413,349
Theater Fixtures	893,265	893,265
Scenic Elements	701,478	701,478
Computer Equipment	1,241,108	1,135,367
Furniture and Equipment	2,675,463	2,343,200
Vehicles	45,588	45,588
Construction in Progress	---	533,964
Total Fixed Assets	<u>\$ 23,597,271</u>	<u>\$ 22,124,349</u>
Less: Accumulated Depreciation	<u>(15,437,689)</u>	<u>(14,710,335)</u>
Net Fixed Assets	<u>\$ 8,159,582</u>	<u>\$ 7,414,017</u>

NOTE M - Deferred Revenue

Deferred revenue as of June 30, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
(1) Ticket Sales	\$3,641,163	\$3,374,506
(2) Gift Certificates	86,788	68,966
(3) Flex Passes	125,730	124,405
(4) Other Funds	<u>225,336</u>	<u>223,595</u>
Totals	<u>\$4,079,017</u>	<u>\$3,791,172</u>

Ticket Sales

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

Other Funds

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

NOTE N - Operating Lease

The Organization has an operating lease for warehouse space which provides for monthly rental payments. The original term of the lease expired in 2014 and continues on a month-to-month basis with annual increases in rent of 3%, currently at \$2,029 per month. Rental expense for this warehouse for the year ended June 30, 2019, was \$24,345.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE N - Operating Lease (continued)

The Organization entered into a five-year agreement to rent out theater space under an operating lease that expires on December 2020. The annual rental fee is the greater of \$140,000 or 16% of gross admission revenue. In addition, the Organization is required to pay an annual historic preservation fee. Rental expense for the year ended June 30, 2019, was \$220,128.

The following is a schedule by years of the future minimum payments required under the lease as of June 30, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$170,000
2021	<u>172,500</u>
Total	<u>\$342,500</u>

NOTE O - Lines of Credit

The Organization has a \$750,000 line of credit with an interest rate of LIBOR plus 2.75% and collateralized by all business assets. The note does not have a maturity date, however, the lender may demand payment upon 90 days' notice to borrower at any time prior to payment in full and for any reason or no reason. No funds were drawn on the line during the years ended June 30, 2019 and 2018.

NOTE P - Pension Plans

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

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

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE P - Pension Plans (continued)

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

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

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

Full-time, full-season, and year-round employees not covered under a union sponsored pension plan are eligible to participate in the Milwaukee Repertory Theater, Inc.'s tax-sheltered annuity plan. Under this plan, beginning in their third consecutive year of full-time employment, Milwaukee Repertory Theater, Inc. contributes a percentage of regular earnings, as approved by the Board of Directors, to a tax-deferred annuity account for the employee. During the year ended June 30, 2019, Milwaukee Repertory Theater, Inc. made contributions of 7.0% of gross salary to the annuity fund.

Total pension plan contributions for the fiscal year ended June 30, 2019, were \$332,578.

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

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

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE P - Pension Plans (continued)

The Organization's participation in these plans for the annual period ended June 30, 2019, is outlined in the table below. The "EIN/Pension Plan #" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available is for the plan's fiscal year-end noted below. The zone status is based on information that the Organization received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The second to last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. None of the union contracts require minimum contributions to a plan. Employer contributions are not greater than 5% of any total plan contributions per the plan's most recently available annual report.

Multiemployer defined benefit pension plans are abbreviated as follows:

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

Pension Fund	EIN/Pension Plan #	FIP/RP Status		Contributions in current year	Surcharge Imposed	Expiration Date Year	Fiscal end
		PPA Zone Status 2014	Pending/ Implemented				
Stage	39-6224262-001	Green	None	\$69,694	No	6/30/19	Dec
Equity	13-6696817-001	Green	None	80,930	No	2/13/22	May
SDC	13-6634482-001	Yellow	Yes	10,094	No	4/14/22	Aug
USA	13-1982707-001	Green	None	16,343	No	6/30/22	Dec
Engineers	36-6052390-001	Green	None	12,063	No	6/30/19	Jan

NOTE Q - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2019, the Organization has \$15,005 of income tax liability for taxable parking fringe benefits due to the Tax Cuts and Jobs Act. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE R - Special Projects

The Theater expanded its fund-raising efforts to raise additional funds, in fiscal year 2016, for its permanently restricted endowment fund and for a new temporarily restricted Special Projects Fund for the creation of a new production of A Christmas Carol to debut in December 2016, a New Play Development Program, a complete renovation of the Stackner Cabaret and the Theater's Community Engagement Programs. Donor restricted net assets of the Special Projects Fund as of June 30, 2019 and 2018, were \$2,442,361 and \$3,315,692, respectively.

NOTE S - Related Parties

The Organization used playwright services from a member of the board of directors. Total payments of \$36,892 and \$10,000 were made as of June 30, 2019 and 2018, respectively.

The Organization used construction services from a member of the board of directors. Total payments of \$350,795 and \$-0- were made as of June 30, 2019 and 2018, respectively.

NOTE T - Subsequent Events

The Organization has evaluated events and transactions occurring after June 30, 2019, the date of the most recent statement of financial position, through the date financial statements are available to be issued, January 7, 2020, for possible adjustment to the financial statements or disclosure and determined that no subsequent events need to be disclosed.

**MILWAUKEE REPERTORY THEATER, INC. AND AFFILIATE
SCHEDULE OF UNRESTRICTED ACTIVITIES RECONCILED TO OPERATING BUDGET
FOR THE YEAR ENDED JUNE 30, 2019**

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

Change in Without Donor Restricted Operating Net Assets	\$ 1,489,943
Depreciation Expense	727,354
Purchase of Fixed Assets From Operating Resources	(29,668)
Theater Fund Resources Expended on Fixed Assets	(203,032)
Net Contributed Revenue from Capital Projects	(1,240,220)
Affiliate Activity (Friends of Milwaukee Repertory Theater, Inc.)	<u>(2,744)</u>
 NET OPERATING SURPLUS	 <u><u>\$ 741,633</u></u>