

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended June 30, 2022
(With Summarized Totals for the Year Ended June 30, 2021)

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Independent Auditors' Report

Board of Directors
Skylight Music Theatre Corp.
Milwaukee, Wisconsin

Opinion

We have audited the accompanying financial statements of Skylight Music Theatre Corp. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skylight Music Theatre Corp. as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Skylight Music Theatre Corp. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

A restatement of prior year financial statements was made and is further discussed in note 16 to the financial statements. The restatement reflects a change to the end of of year net assets as of June 30, 2021. In an effort to better recognize ticket sale revenue, Skylight Music Theatre Corp. determined that a portion of ticket sale revenue recognized in the prior year should have been deferred. Also, Skylight Music Theatre Corp. determined the Organization was eligible for the Employee Retention Tax Credit relating to quarters in the fiscal year ending June 30, 2021. Revenue and receivable were recorded for the appropriate amount. Accordingly, end of year net assets as of June 30, 2021 have been restated to properly reflect the additional information. Overall, there was a change of \$133,626 to the ending retained earnings as of June 30, 2021. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Skylight Music Theatre Corp.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 21, 2022

Milwaukee, Wisconsin

SKYLIGHT MUSIC THEATRE CORP.

Milwaukee, Wisconsin

Statement of Financial Position

June 30, 2022

(With Summarized Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	(Restated) 2021 Total
Assets:				
Current assets:				
Cash and equivalents	\$ 568,419	\$ 72,544	\$ 640,963	\$ 440,897
Accounts receivable	2,220	---	2,220	19,225
Employee retention credit receivable	89,226	---	89,226	246,115
Contributions and grants receivable, net	---	248,479	248,479	526,536
Inventory	7,480	---	7,480	7,480
Prepaid expenses	123,128	---	123,128	112,930
Total current assets	790,473	321,023	1,111,496	1,353,183
Property and Equipment:				
Property and equipment:	714,682	---	714,682	1,379,306
Accumulated depreciation	(516,452)	---	(516,452)	(1,118,674)
Net property and equipment	198,230	---	198,230	260,632
Long-term assets:				
Long-term investments	2,026,395	---	2,026,395	2,337,386
Contributions and grants receivable, net	---	61,186	61,186	1,453
Total long-term assets	2,026,395	61,186	2,087,581	2,338,839
Other assets:				
Security deposits and other assets	53,049	---	53,049	58,649
Total assets	\$ 3,068,147	\$ 382,209	\$ 3,450,356	\$ 4,011,303
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and other liabilities	\$ 57,274	\$ ---	\$ 57,274	\$ 8,172
Accrued payroll and tax liabilities	22,839	---	22,839	23,404
Deferred revenue	314,986	---	314,986	362,350
Payroll Protection Program loan	---	---	---	170,833
Accrued interest	---	---	---	3,032
Lease liability	20,245	---	20,245	67,617
Current portion deferred gain	228,117	---	228,117	228,117
Total current liabilities	643,461	---	643,461	863,525
Other liabilities:				
Deferred gain on sale of building	1,292,665	---	1,292,665	1,520,782
Less: Current portion of deferred gain	(228,117)	---	(228,117)	(228,117)
Net long-term deferred gain	1,064,548	---	1,064,548	1,292,665
Security deposits	2,024	---	2,024	2,024
Other liabilities	7,789	---	7,789	6,693
Total other liabilities	1,074,361	---	1,074,361	1,301,382
Total liabilities	1,717,822	---	1,717,822	2,164,907
Net Assets (Deficit):				
Without donor restrictions				
Undesignated	(676,070)	---	(676,070)	(1,124,886)
Board Designated	2,026,395	---	2,026,395	2,337,386
Without donor restrictions	1,350,325	---	1,350,325	1,212,500
With donor restrictions	---	382,209	382,209	633,896
Total net assets	1,350,325	382,209	1,732,534	1,846,396
Total liabilities and net assets	\$ 3,068,147	\$ 382,209	\$ 3,450,356	\$ 4,011,303

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

SKYLIGHT MUSIC THEATRE CORP.

Milwaukee, Wisconsin

Statement of Activities

For the Year Ended June 30, 2022

(With Summarized Totals for the Year Ended June 30, 2021)

	<u>Without Donor</u>	<u>With Donor</u>	<u>2022</u>	<u>(Restated)</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>2021</u>
				<u>Total</u>
Support and Revenue:				
Public support revenue				
Performance ticket income	\$ 971,997	\$ ---	\$ 971,997	\$ 11,237
Contributions	484,135	168,433	652,568	1,038,680
United Performing Arts Fund	400,348	79,542	479,890	587,573
Governmental grants	1,063,413	10,800	1,074,213	154,712
Donated goods and services	35,338	---	35,338	27,349
Total public support revenue	<u>2,955,231</u>	<u>258,775</u>	<u>3,214,006</u>	<u>1,819,551</u>
Special Events				
Special events revenue	81,674	---	81,674	49,935
Less: costs of direct benefit to donors	(19,755)	---	(19,755)	(12,192)
Net special events revenue	<u>61,919</u>	<u>---</u>	<u>61,919</u>	<u>37,743</u>
Special events contributions	55,252	---	55,252	13,020
Less: incidental benefits	(55,143)	---	(55,143)	(7,485)
Net special event income	<u>62,028</u>	<u>---</u>	<u>62,028</u>	<u>43,278</u>
Other Revenue:				
Program service fees	3,678	---	3,678	---
Investment income (loss)	(328,054)	---	(328,054)	448,566
Rental income	139,109	---	139,109	111,778
Other income	91,185	---	91,185	6,665
Employee retention credit	---	---	---	246,115
PPP loan forgiveness	174,960	---	174,960	389,700
Gain on sale of fixed assets	211,455	---	211,455	228,117
Total other revenue	<u>292,333</u>	<u>---</u>	<u>292,333</u>	<u>1,430,941</u>
Net assets released from restrictions	<u>510,462</u>	<u>(510,462)</u>	<u>---</u>	<u>---</u>
Total support and revenue	<u>3,820,054</u>	<u>(251,687)</u>	<u>3,568,367</u>	<u>3,293,770</u>
Expenses:				
Program services	3,014,932	---	3,014,932	1,165,604
General and administrative	521,882	---	521,882	453,148
Fundraising	145,415	---	145,415	134,779
Total expenses	<u>3,682,229</u>	<u>---</u>	<u>3,682,229</u>	<u>1,753,531</u>
Change in net assets	<u>137,825</u>	<u>(251,687)</u>	<u>(113,862)</u>	<u>1,540,239</u>
Net assets, beginning of year	<u>1,212,500</u>	<u>633,896</u>	<u>1,846,396</u>	<u>306,157</u>
Net assets, end of year	<u>\$ 1,350,325</u>	<u>\$ 382,209</u>	<u>\$ 1,732,534</u>	<u>\$ 1,846,396</u>

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

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Summarized Totals for the Year Ended June 30, 2021)

Expenses	Program Services	General and Administrative	Fundraising	Cost of direct benefit to donors	2022 Total	(Restated) 2021 Total
Salaries and wages	\$ 1,401,771	\$ 216,141	\$ 78,187	\$ ---	\$ 1,696,099	\$ 753,167
Employee benefits	99,138	43,837	5,015	---	147,990	127,052
Payroll taxes	100,465	16,287	5,770	---	122,522	52,831
Professional fees	148,119	65,287	---	---	213,406	50,189
Scholarships	500	---	---	---	500	500
Supplies	5,532	12,805	---	---	18,337	4,169
Telephone	1,288	199	72	---	1,559	2,496
Postage	---	14,271	---	---	14,271	2,687
Warehouse Rent	78,341	---	---	---	78,341	78,788
Occupancy	420,725	64,872	23,467	---	509,064	384,854
Production materials	198,782	---	---	---	198,782	23,996
Equipment rental & maintenance	326	---	---	---	326	1,387
Depreciation expense	77,518	---	---	---	77,518	59,585
Royalties	64,524	---	---	---	64,524	6,237
Housing	48,613	---	---	---	48,613	1,186
Travel	23,361	---	---	---	23,361	8,981
Interest	---	1,095	---	---	1,095	3,032
Insurance	52,601	8,111	2,934	---	63,646	44,687
Membership dues	365	4,428	---	---	4,793	2,565
Staff development	---	4,025	25	---	4,050	1,245
Advertising	164,937	---	---	---	164,937	15,381
Repairs & maintenance	5,805	3,743	---	---	9,548	9,929
Lease expense	7,233	---	---	---	7,233	---
Credit card fees	39,688	---	2,709	---	42,397	6,522
Bad debt expense	---	---	5,943	---	5,943	8,625
Information technology	49,938	50,184	---	---	100,122	66,774
Special Events	---	---	55,143	19,755	74,898	19,678
Other expenses	25,362	16,597	21,293	---	63,252	36,666
Totals functional expenses	3,014,932	521,882	200,558	19,755	3,757,127	1,773,209
Less: special events included on statements of activities	---	---	(55,143)	(19,755)	(74,898)	(19,678)
Expenses on statement of activities	\$ 3,014,932	\$ 521,882	\$ 145,415	\$ ---	\$ 3,682,229	\$ 1,753,531

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

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Cash Flows

For the Year Ended June 30, 2022

(With Summarized Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>(Restated)</u> <u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (113,862)	\$ 1,540,239
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	77,518	59,585
Gain on sale of fixed assets	(211,455)	(228,117)
Net realized and unrealized (gain) loss on investments	392,138	(414,423)
Forgiveness on Payroll Protection Program loan	(170,833)	(389,700)
Change in assets and liabilities:		
Accounts receivable	17,005	31,029
Employee retention credit	156,889	(246,115)
Contributions and grants receivable	218,324	(356,625)
Prepaid expenses	(10,198)	11,756
Other assets	5,600	1,300
Accounts payable	49,102	(48,161)
Accrued payroll and tax liabilities	(565)	1,333
Deferred revenue	(47,364)	(71,810)
Accrued interest	(3,032)	3,032
Lease liability	(47,372)	67,617
Other liabilities	1,096	620
Total adjustments	<u>426,853</u>	<u>(1,578,679)</u>
Net cash provided (used) by operating activities	<u>312,991</u>	<u>(38,440)</u>
Cash Flows From Investing Activities:		
Purchase of investments	(635,804)	(1,046,636)
Proceeds from sale of investments	554,657	1,290,000
Purchase of fixed assets	(31,778)	(102,400)
Net cash provided (used) by investing activities	<u>(112,925)</u>	<u>140,964</u>
Cash Flows From Financing Activities:		
Borrowings on Payroll Protection Program loan	---	170,833
Net cash provided by financing activities	<u>---</u>	<u>170,833</u>
Change in cash and equivalents	200,066	273,357
Cash and equivalents at beginning of year	<u>440,897</u>	<u>167,540</u>
Cash and equivalents at end of year	<u>\$ 640,963</u>	<u>\$ 440,897</u>
Noncash investing and financing activities:		
Forgiveness on Payroll Protection Program loan	\$ 170,833	\$ 389,700
Forgiveness on Payroll Protection Program loan interest	<u>\$ 4,127</u>	<u>\$ ---</u>

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

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies

Nature of Activities

Skylight Music Theatre Corp. (“Organization”) is a not-for-profit corporation organized under the laws of the State of Wisconsin. The mission of the Organization is to bring the full spectrum of musical theatre works to a wide and diverse audience in celebration of the musical and theatrical arts and their reflection of the human condition. The Organization provides two major services, musicals and educational programming.

Financial Statement Presentation

The accompanying 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). Under U.S. GAAP, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization’s changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board has designated, from net assets without donor restrictions, net assets for board-designated.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions maybe perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The organization has no restrictions that are perpetual in nature.

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

Revenue from exchange transactions satisfied at a point in time consists of the following:

Performance ticket income and program service fees– recognized as performance obligations are met

Revenue from non-exchange transactions consist of the following:

Contributions of cash and pledges receivable - received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, 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. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized at prime interest rate and is reported as contribution revenue.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2022
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

Special event revenue – The direct benefit to donors is recognized as revenue as an exchange transaction, while the remaining is recognized as a non-exchange contribution.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated across the programs and supporting services benefited.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Accounts, Contributions, Grants, and Notes Receivable

Accounts receivable are stated at unpaid balances net of an allowance for doubtful accounts based on historical collection experience and a review of the current status of accounts receivable. The Organization was gifted a note receivable in the June 30, 2013 fiscal year valued at \$100,000. Management decided to take a conservative approach with this 10 year note and set up an allowance for uncollectible accounts of \$100,000 for the year ended June 30, 2013. During the year ended June 30, 2021, the estate came forward and signed a new promissory note to be paid. Management believes the full amount will be collected on the new note and therefore has removed the allowance.

Inventories

The Organization purchases building materials for set production. Inventories are recorded at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2022
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Investment Valuation and Income Recognition

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Realized gains and losses and unrealized appreciation and depreciation of assets are reported in the statement of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2022
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$77,518 for the year ended June 30, 2022. The Organization capitalizes all property and equipment over \$1,000.

Advertising Costs

The Organization uses advertising to promote its programs among audiences it serves. Advertising costs are expensed in the fiscal year in which the revenue is recognized. Advertising expense for the year ended June 30, 2022 was \$164,937. Prepaid advertising as of June 30, 2022 was \$2,115.

Income Taxes

The Organization has implemented accounting for uncertainty in income taxes in accordance with U.S. GAAP. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of the Organization evaluates the uncertain tax positions taken, if any. The Organization recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense. Management does not believe there are any uncertain tax positions.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for charitable contribution deductions. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (September 21, 2022). There were no additional subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2022
(Continued)

2. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements, if any, would be invested in short-term investments. The table below presents financial assets available for general expenditures within one year:

	June 30, 2022
Financial assets:	
Cash	\$ 640,963
Accounts receivable	2,220
Employee retention credit receivable	89,226
Contributions and grants receivable, net	248,479
Investments	2,026,395
Total financial assets	\$ 3,007,283
Less amounts not available to be used within one year for general expenditures:	
Net assets with donor restrictions	(382,209)
Net assets without donor restrictions, board designated	(2,026,395)
Financial assets available to meet general expenditures within one year	\$ 598,679

The Organization's Board has designated amounts otherwise without donor restrictions. These board designated funds can be made available to meet operating needs if necessary. During the year ended June 30, 2022, the Organization was able to meet its cash needs without utilizing designated reserves

3. Contribution and Grants Receivable

Contributions and Grants receivable consist of the following as of June 30, 2022:

Source	Amount
United Performing Arts Fund	\$ 96,391
Individuals and trusts	202,474
Governments	10,800
Total	\$ 309,665

Contributions and Grants receivable are due as follows:

Years ending June 30,	Amount
2023	\$ 248,479
2024	45,000
2025	20,000
Less: Present value discount	(3,814)
Total	\$ 309,665

The present value discount was calculated at the prime rate published in the Wall Street Journal of 4.75% at June 30, 2022.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2022
(Continued)

4. Property and Equipment

Property and Equipment consist of the following as of June 30, 2022:

<u>Source</u>	<u>Amount</u>
Computer and electronics	\$ 229,613
Equipment	341,874
Building equipment	17,530
Bar furniture	20,175
Musical instruments	46,126
Rental props	31,786
Vehicles	<u>27,578</u>
Total property and equipment	714,682
Less: accumulated depreciation	<u>(516,452)</u>
Net property and equipment	\$ <u>198,229</u>

Real estate assets were disposed of in February 2018 and were treated as a sale-lease back transaction. A long-term operating lease was entered into. A gain of \$2,281,173 was realized on the sale and has been deferred. The gain is being amortized over the initial lease term of ten years, which commenced in March 2018. The deferred gain was \$1,292,665 as of June 30, 2022. The gain recognized for the year ended June 30, 2022 was \$228,117.

5. Investments

Investments as of June 30, 2022, consist of pooled funds as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 53,455	\$ 53,455	\$ ---
Domestic equity funds	684,137	781,321	97,184
International equity funds	196,389	195,919	(470)
Corporate bond funds	548,101	522,712	(25,389)
Domestic bond funds	504,600	472,988	(31,612)
Total	\$ <u>1,986,682</u>	\$ <u>2,026,395</u>	\$ <u>39,713</u>

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of June 30, 2022:

<u>Description</u>	<u>Fair Value Measurement at Reporting Date Using</u>			<u>Total Assets at Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market	\$ 53,455	\$ ---	\$ ---	\$ 53,455
Domestic equity funds	781,321	---	---	781,321
International equity funds	195,919	---	---	195,919
Corporate bond funds	522,712	---	---	522,712
Domestic bond funds	472,988	---	---	472,988
Total	\$ <u>2,026,395</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>2,026,395</u>

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6. Payment Protection Program Loan

On April 15, 2020, the Organization was granted a loan from Johnson Bank (“Lender”) in the aggregate amount of \$389,700, pursuant to the Paycheck Protection Program (“Program”) administered by the Small Business Association (“SBA”).

The loan, which was in the form of a note dated April 15, 2020 issued by the Lender, matures on April 15, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 15, 2020. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Pursuant to the Program, all or a portion of the loan may be forgiven if the Organization uses the proceeds of the loan for its payroll costs and other expenses in accordance with the requirements. The loan was fully forgiven January 26, 2021.

On March 25, 2021, the Organization was granted a loan from Johnson Bank (“Lender”) in the aggregate amount of \$170,833, pursuant to the Paycheck Protection Program (“Program”) administered by the Small Business Association (“SBA”).

The loan, which was in the form of a note dated March 25, 2021 issued by the Lender, matures on March 25, 2026 and bears interest at a rate of 1.00% per annum, payable monthly commencing on July 10, 2022. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Pursuant to the Program, all or a portion of the loan may be forgiven if the Organization uses the proceeds of the loan for its payroll costs and other expenses in accordance with the requirements. The loan was fully forgiven during the year ended June 30, 2022.

7. Board Designated Net Assets

As of June 30, 2022, the Board of Directors has designated net assets without donor restrictions for the following purposes:

General reserve fund	\$	<u>2,026,395</u>
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8. Net Assets With Donor Restrictions

Net assets with donor restrictions are set aside in accordance with donor restrictions as to time or purpose. Net assets with donor restrictions are restricted for the following purposes at June 30, 2022:

Specific Purpose		
Show sponsorships	\$	48,670
Capital needs		13,867
Promises to give restricted by donors for:		
Capital needs		18,355
Show Sponsorship		<u>21,000</u>
Total specified purpose		<u>101,892</u>
Time restrictions:		
Operating		10,000
Promises to give not restricted by donors for:		
UPAF (summer allocation)		79,542
Operating		<u>190,745</u>
Total time restrictions		<u>280,317</u>
Total net assets with donor restrictions	\$	<u>382,209</u>

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(Continued)

8. Net Assets With Donor Restrictions (Continued)

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose, or by occurrence of other events specified by donors. Net assets released from restrictions as of June 30, 2022 are as follows:

Expiration of time restrictions:	
UPAF (summer allocation)	\$ 79,542
Operating	<u>369,060</u>
Total expirations of time restrictions	<u>448,602</u>
Satisfactions of purpose restrictions:	
Capital needs	13,916
Artistic Initiatives	<u>47,944</u>
Total satisfactions of purpose restrictions	<u>61,860</u>
Total net assets released from restriction	<u>\$ 510,462</u>

The United Performing Arts Fund (UPAF) provides support to the Organization each year. A portion of the contribution is pledged during the prior fiscal year and recorded as temporarily restricted revenue due to time restriction. UPAF revenue for the year ended June 30, 2022 is as follows:

UPAF Summer Allocation	
(Restricted as of June 30, 2021, released on July 01, 2021)	\$ 79,542
Additional Contributions made during the year	<u>409,348</u>
UPAF Contributions, for fiscal year ended June 30, 2022	<u>\$ 465,962</u>
UPAF Summer Allocation	
(Restricted as of June 30, 2022, released on July 01, 2022)	<u>\$ 79,542</u>

9. Deferred Revenue – Ticket Sales

Deferred revenue as of June 30, 2022 was \$314,986. The Organization defers recognition of advance ticket sales until the first quarter of the subsequent season, at which time the sales are credited to revenue.

10. Special Events

Special event activities are reported by their natural classification in the statements of activities. Gross special event revenues and expenses are as follows for the years ended June 30, 2022:

	<u>2022</u>
Revenue:	
Non-exchange contributions	\$ 55,252
Exchange direct benefit to donor	<u>81,674</u>
Total revenue	<u>136,926</u>
Expenses:	
Direct benefit to donors	19,755
Incidental benefits	<u>55,143</u>
Total expense	<u>74,898</u>
Special events, net	<u>\$ 62,028</u>

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(Continued)

11. Lease Agreement

The Organization sub-leased space in its primary operating facility to other third-party organizations under operating leases. The leases provide the ability to lease theatre and rehearsal space. Applicable portions of the current leases were transferred to the new owners at time of purchase. Rental income for the year ended June 30, 2022 was \$139,109.

12. Operational Lease

The Organization leases office space, theatre space, warehouse space, copier and postage meter under an operational lease.

In March 2018, the Organization entered into a sales lease back transaction for the office space as well as the theatre space set to expire in February 2028. This is a ten-year lease and provides for a minimum lease rent plus a share of real estate and common area maintenance expenses.

The following is a schedule of the future minimum lease expenses required under the lease as of June 30, 2022:

<u>Years ending June 30,</u>	<u>Amount</u>
2023	\$ 432,127
2024	466,045
2025	502,642
2026	542,130
2027	584,737
Thereafter	<u>410,718</u>
Total	\$ <u>2,938,399</u>

Rent expense for the year ended June 30, 2022 was \$587,405.

Due to economic uncertainty related to the COVID-19, the Organization negotiated with the landlords to postpone minimum lease payments or have the lease payments forgiven for an extended period. The FASB issued a statement in April 2020 regarding the concessions related to COVID-19. An Organization can elect to account for lease concessions related to the effects of COVID-19 either:

As if the concession arises from the enforceable rights and obligations of the contract, regardless of whether the concession explicitly exists in the contract. That is, the entity accounts for the concession as if it is not a lease modification, or

As if the concession represents a lease modification for which the entity applies the modification guidance in either ASC 842 or ASC 840.

The Organization has elected to account for the concessions as if there are no lease modifications.

For leases where there will be rent abatement, the forgiven lease payment will be treated as negative rent expense (rent abatement). There was no rent abated for the year ended June 30, 2022.

For leases where there will be rent deferrals, a liability will be created (lease liability) and will be paid on an agreed upon schedule. Lease liability payments of \$20,245 will be paid in the future fiscal years.

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(Continued)

13. Donated Goods and Services

The Organization received branding services, photography services, and management fees. These total in-kind donations of \$35,338 consisted of \$20,963 of waived investment management fees, \$13,500 of branding services, and \$875 of photography services.

14. Employee Retention Credit

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Company qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. During the fiscal year ended June 30, 2021, the Company recorded \$246,115 related to the CARES Employee Retention credit in "Other Revenue on the Organization's Statement of Activities. As of June 30, 2021, the Organization had a \$246,115 receivable balance from the United States government related to the CARES Act, which is recorded in "Employee retention credit receivable" on the Organization's statement of financial position. During the year ended June 30, 2022, the Organization collected \$156,889 and \$89,226 as a receivable balance as of June 30, 2022.

15. Shuttered Venue Operators Grant

The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act, which is part of the Consolidated Appropriations Act of 2021, signed into law in December 2020. Qualified venues will receive a maximum initial grant of 45% of gross earned revenue for the 2019 calendar year. A single grant cannot exceed \$10 million. Grants may be used for any expenses incurred between March 1, 2020, and December 31, 2021. The grants must be used for specific expenses. Examples include payroll costs, rent and utility payments, and insurance payments. A complete list of acceptable, as well as denied, expenses is available on the SBA's website. Grantees will be required to maintain documentation demonstrating their compliance with the eligibility and other requirements of the SVOG program. During the year ended June 30, 2022, the Organization recorded \$1,048,421 related the SVOG. Management believes the funds were correctly spent.

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16. Prior Period Adjustment and Restatement

In an effort to better recognize ticket sale revenue, Skylight Music Theatre Corp. determined that a portion of ticket sale revenue recognized in the prior year should have been deferred as current year revenue. Also, Skylight Music Theatre Corp. determined the Organization was eligible for the Employee Retention Tax Credit relating to quarters in the fiscal year ending June 30, 2021. Revenue and receivable were recorded for the appropriate amount. See below for the financial statement lines affected. This restatement caused an adjustment of \$133,626 to end of year net assets as of June 30, 2021.

The following restatements were made to the June 30, 2021 financial statements:

Statement of Financial Position

	As Previously Reported	Adjustments	As Restated
Accounts receivable	\$ 94,237	\$ (75,012)	\$ 19,225
Employee retention credit receivable	---	246,115	246,115
Deferred revenue	324,873	37,477	362,350
Net assets (deficit) without donor restrictions, undesignated	(1,258,512)	133,626	(1,124,886)

Statement of Activities

	As Previously Reported	Adjustments	As Restated
Other income	\$ 81,677	\$ (75,012)	\$ 6,665
Employee retention credit	---	246,115	246,155
Performance ticket income	48,714	(37,477)	11,237
Change in net assets	1,406,613	133,626	1,540,239

Statement of Cash Flows

	As Previously Reported	Adjustments	As Restated
Change in accounts receivable	\$ (43,983)	\$ 75,012	\$ 31,029
Change in employee retention credit receivable	---	(246,115)	(246,115)
Change in deferred revenue	(109,287)	37,477	(47,364)
Change in net assets	1,406,613	133,626	1,540,239