

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended June 30, 2023
(With Summarized Totals for the Year Ended June 30, 2022)

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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, 2023, 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, 2023, 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.

Auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

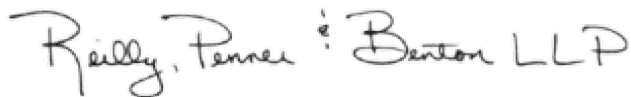
In performing an audit in accordance with generally accepted auditing standards, we:

- 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.

Report on Summarized Comparative Information

We have previously audited Skylight Music Theatre Corp.'s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Riley Penner : Benton LLP

January 22, 2024

Milwaukee, Wisconsin

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Statement of Financial Position

June 30, 2023

(With Summarized Totals for the Year Ended June 30, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Assets:				
Current assets:				
Cash and equivalents	\$ 217,399	\$ 49,670	\$ 267,069	\$ 640,963
Accounts receivable	5,940	---	5,940	2,220
Employee retention credit receivable	---	---	---	89,226
Contributions and grants receivable, net	---	217,383	217,383	248,479
Inventory	7,480	---	7,480	7,480
Prepaid expenses	100,011	---	100,011	123,128
Total current assets	330,830	267,053	597,883	1,111,496
Property and Equipment:				
Property and equipment:	727,504	---	727,504	714,682
Accumulated depreciation	(579,291)	---	(579,291)	(516,452)
Net property and equipment	148,213	---	148,213	198,230
Long-term assets:				
Long-term investments	1,143,321	---	1,143,321	2,026,395
Contributions and grants receivable, net	---	38,186	38,186	61,186
Total long-term assets	1,143,321	38,186	1,181,507	2,087,581
Other assets:				
Security deposits and other assets	53,049	---	53,049	53,049
Operating leases right-of-use	2,239,488	---	2,239,488	---
Finance lease right-of-use	21,716	---	21,716	---
	2,314,253	---	2,314,253	53,049
Total assets	\$ 3,936,617	\$ 305,239	\$ 4,241,856	\$ 3,450,356
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and other liabilities	\$ 107,968	\$ ---	\$ 107,968	\$ 57,274
Accrued payroll and tax liabilities	27,464	---	27,464	22,839
Deferred revenue	294,151	---	294,151	314,986
Deferred rent liability	---	---	---	20,245
Current portion of operating lease liabilities	402,300	---	402,300	---
Current portion of financing lease liabilities	5,271	---	5,271	---
Current portion deferred gain	---	---	---	228,117
Total current liabilities	837,154	---	837,154	643,461
Long-term liabilities:				
Operating lease liabilities - net of current portion	1,923,893	---	1,923,893	---
Financing lease liabilities - net of current portion	16,753	---	16,753	---
Total long-term liabilities	1,940,646	---	1,940,646	---
Other liabilities:				
Deferred gain on sale of building	---	---	---	1,292,665
Less: Current portion of deferred gain	---	---	---	(228,117)
Net long-term deferred gain	---	---	---	1,064,548
Security deposits	2,024	---	2,024	2,024
Other liabilities	9,605	---	9,605	7,789
Total other liabilities	11,629	---	11,629	1,074,361
Total liabilities	2,789,429	---	2,789,429	1,717,822
Net Assets (Deficit):				
Without donor restrictions				
Undesignated	3,867	---	3,867	(676,070)
Board Designated	1,143,321	---	1,143,321	2,026,395
Without donor restrictions	1,147,188	---	1,147,188	1,350,325
With donor restrictions	---	305,239	305,239	382,209
Total net assets	1,147,188	305,239	1,452,427	1,732,534
Total liabilities and net assets	\$ 3,936,617	\$ 305,239	\$ 4,241,856	\$ 3,450,356

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, 2023

(With Summarized Totals for the Year Ended June 30, 2022)

	<u>Without Donor</u>	<u>With Donor</u>	<u>2023</u>	<u>2022</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Support and Revenue:				
Public support revenue				
Performance ticket income	\$ 1,226,836	\$ ---	\$ 1,226,836	\$ 971,997
Contributions	647,501	53,317	700,818	652,568
United Performing Arts Fund	369,977	79,542	449,519	479,890
Governmental grants	---	6,000	6,000	1,074,213
Contributed nonfinancial assets	28,878	---	28,878	35,338
Total public support revenue	2,273,192	138,859	2,412,051	3,214,006
Special Events				
Special events revenue	24,569	---	24,569	81,674
Less: costs of direct benefit to donors	(23,001)	---	(23,001)	(19,755)
Net special events revenue	1,568	---	1,568	61,919
Special events contributions	63,439	---	63,439	55,252
Less: incidental benefits	(60,983)	---	(60,983)	(55,143)
Net special event income	4,024	---	4,024	62,028
Other Revenue:				
Program service fees	2,791	---	2,791	3,678
Investment income (loss), net	117,334	---	117,334	(328,054)
Rental income	160,425	---	160,425	139,109
Other income	151,454	---	151,454	91,185
PPP loan forgiveness	---	---	---	174,960
Gain on sale of fixed assets	---	---	---	211,455
Total other revenue	432,004	---	432,004	292,333
Net assets released from restrictions	215,829	(215,829)	---	---
Total support and revenue	2,925,049	(76,970)	2,848,079	3,568,367
Expenses:				
Program services	3,689,315	---	3,689,315	3,014,932
General and administrative	540,125	---	540,125	521,882
Fundraising	191,411	---	191,411	145,415
Total expenses	4,420,851	---	4,420,851	3,682,229
Change in net assets	(1,495,802)	(76,970)	(1,572,772)	(113,862)
Net assets, beginning of year	1,350,325	382,209	1,732,534	1,846,396
Cumulative-effect adjustment for sale-leaseback	1,292,665	---	1,292,665	---
Net assets, end of year	\$ 1,147,188	\$ 305,239	\$ 1,452,427	\$ 1,732,534

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, 2023
(With Summarized Totals for the Year Ended June 30, 2022)

Expenses	Program Services	General and Administrative	Fundraising	Cost of direct benefit to donors	2023 Total	2022 Total
Salaries and wages	\$ 1,713,719	\$ 292,190	\$ 121,631	\$ ---	\$ 2,127,540	\$ 1,696,099
Employee benefits	96,715	28,663	7,223	---	132,601	147,990
Payroll taxes	125,296	17,335	9,651	---	152,282	122,522
Professional fees	161,664	43,209	---	---	204,873	213,406
Scholarships	---	---	---	---	---	500
Supplies	8,297	7,028	---	---	15,325	18,337
Telephone	2,363	403	168	---	2,934	1,559
Postage	---	21,389	---	---	21,389	14,271
Warehouse Rent	77,124	---	---	---	77,124	78,341
Occupancy	81,400	13,879	5,777	---	101,056	516,297
Production materials	198,054	---	---	---	198,054	198,782
Equipment rental & maintenance	9,094	---	---	---	9,094	326
Depreciation and amortization	68,268	---	---	---	68,268	77,518
Royalties	146,436	---	---	---	146,436	64,524
Housing	75,752	---	---	---	75,752	48,613
Travel	24,756	---	---	---	24,756	23,361
Interest	---	---	---	---	---	1,095
Insurance	53,337	9,094	3,786	---	66,217	63,646
Membership dues	10,906	2,430	1,052	---	14,388	4,793
Staff development	---	---	302	---	302	4,050
Bar expenses	4,680	---	---	---	4,680	---
Advertising	175,133	---	---	---	175,133	164,937
Repairs & maintenance	10,571	4,036	---	---	14,607	9,548
Lease expense	518,853	---	---	---	518,853	---
Credit card fees	51,765	---	8,566	---	60,331	42,397
Bad debt expense	---	---	---	---	---	5,943
Information technology	35,056	49,196	---	---	84,252	100,122
Workshops	554	---	---	---	554	---
Special Events	---	---	60,983	23,001	83,984	74,898
Other expenses	39,522	51,273	33,255	---	124,050	63,252
Totals functional expenses	3,689,315	540,125	252,394	23,001	4,504,835	3,757,127
Less: special events included on statements of activities	---	---	(60,983)	(23,001)	(83,984)	(74,898)
Expenses on statement of activities	\$ 3,689,315	\$ 540,125	\$ 191,411	\$ ---	\$ 4,420,851	\$ 3,682,229

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, 2023
(With Summarized Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,572,772)	\$ (113,862)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	68,268	77,518
Gain on sale of fixed assets	---	(211,455)
Net realized and unrealized (gain) loss on investments	(60,221)	392,138
Forgiveness on Payroll Protection Program loan	---	(170,833)
Change in assets and liabilities:		
Accounts receivable	(3,720)	17,005
Employee retention credit	89,226	156,889
Contributions and grants receivable	54,096	218,324
Prepaid expenses	23,117	(10,198)
Other assets	---	5,600
Accounts payable	50,694	49,102
Accrued payroll and tax liabilities	4,625	(565)
Deferred revenue	(20,835)	(47,364)
Accrued interest	---	(3,032)
Lease liability	(20,245)	(47,372)
Other liabilities	1,816	1,096
Operating lease assets and liabilities	86,705	---
Net cash and equivalents provided (used) by operating activities	(1,299,246)	312,991
Cash Flows From Investing Activities:		
Purchase of investments	(2,774,871)	(635,804)
Proceeds from sale of investments	3,718,166	554,657
Purchase of fixed assets	(12,822)	(31,778)
Net cash and equivalents provided (used) by investing activities	930,473	(112,925)
Cash Flows From Financing Activities:		
Payments on lease liabilities	(5,121)	---
Net cash used by financing activities	(5,121)	---
Change in cash and equivalents	(373,894)	200,066
Cash and equivalents at beginning of year	640,963	440,897
Cash and equivalents at end of year	\$ 267,069	\$ 640,963
Supplemental Cash Flow Information:		
Cash paid for amount included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 430,187	---
Operating cash flows from finance leases	648	---
Financing cash flows from finance leases	5,174	---
Right-of-use assets obtained in exchange for lease liabilities		
Finances leases	27,144	---
Noncash investing and financing activities:		
Forgiveness on Payroll Protection Program loan	\$ ---	\$ 170,833
Forgiveness on Payroll Protection Program loan interest	---	4,127

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, 2023

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, 2023
(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, 2022, 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, 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. Management believes all amounts will be collected, and therefore has not recorded an allowance. Accounts receivable were \$19,225 on June 30, 2021.

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.

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 \$68,268 for the year ended June 30, 2023. The Organization capitalizes all property and equipment over \$1,000.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2023
(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, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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, 2023 was \$175,133. Prepaid advertising as of June 30, 2023 was \$1,425.

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.

Implementation of New Standards

Contributed Nonfinancial Assets

Financial Accounting Standards Board ("FASB") Accounting Standards Updated ("ASU") 2020-07 Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets. The standard requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires that the not-for-profit disclose certain attributes of the contributed nonfinancial assets including, qualitative information, monetizing versus utilizing, any donor-imposed restrictions, valuation techniques and the principal market used to arrive at fair value. We have implemented Topic 958 and have adjusted the presentation in these financial statements accordingly. The amendment has been applied retrospectively. Accordingly, there is no effect on net assets in connection with our implementation of 2020-07.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Implementation of New Standards (Continued)

Leases

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, an operating lease liability of \$2,683,698, which represents the present value of the remaining operating lease payments of \$2,928,696, discounted using the risk-free rate of 2.88%, and a right-of-use asset of \$2,683,698 as of July 1, 2022. Additionally, the Organization recognized \$1,292,665 of previously deferred gain on a sale-leaseback transaction. Results for years beginning prior to July 1, 2022, continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 had a material impact on the Organization's statements of financial position and statements of activities. The most significant impacts were the recognition of ROU assets and lease liabilities, and the cumulative effect from the adjustment of the deferred gain on the prior sales-leaseback transaction.

The Organization leases certain facilities and equipment and determines if an arrangement is a lease at inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a short-term basis.

SKYLIGHT MUSIC THEATRE CORP.
Milwaukee, Wisconsin

Notes to Financial Statements
June 30, 2023
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Implementation of New Standards (Continued)

Leases (Continued)

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization accounts for non-lease components separately.

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:

	<u>June 30, 2023</u>
Financial assets:	
Cash	\$ 267,069
Accounts receivable	5,940
Contributions and grants receivable, net	<u>217,383</u>
Total financial assets	\$ <u>490,392</u>
Less amounts not available to be used within one year for general expenditures:	
Net assets with donor restrictions	<u>(305,239)</u>
Financial assets available to meet general expenditures within one year	\$ <u>185,153</u>

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.

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(Continued)

3. Contribution and Grants Receivable

Contributions and Grants receivable consist of the following as of June 30, 2023:

<u>Source</u>	<u>Amount</u>
United Performing Arts Fund	\$ 83,391
Individuals and trusts	<u>172,178</u>
Total	\$ <u>255,569</u>

Contributions and Grants receivable are due as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2024	\$ 217,383
2025	40,000
Less: Present value discount	<u>(1,814)</u>
Total	\$ <u>255,569</u>

The present value discount was calculated at the prime rate published in the Wall Street Journal of 8.25% at June 30, 2023.

4. Property and Equipment

Property and Equipment consist of the following as of June 30, 2023:

<u>Source</u>	<u>Amount</u>
Computer and electronics	\$ 229,613
Equipment	354,697
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	727,504
Less: accumulated depreciation	<u>(579,291)</u>
Net property and equipment	\$ <u>148,213</u>

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Notes to Financial Statements
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(Continued)

5. Investments

Investments as of June 30, 2023, consist of pooled funds as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 102	\$ 102	---
Corporate bond funds	1,143,219	1,143,219	---
Total	\$ 1,143,321	\$ 1,143,321	---

The following summarizes the classification of investments by classification and method of valuation in accordance with U.S. GAAP as of June 30, 2023:

<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	\$ 102	\$ ---	\$ ---	\$ 102
Corporate bond funds	1,143,219	---	---	1,143,219
Total	\$ 1,143,321	\$ ---	\$ ---	\$ 1,143,321

6. Board Designated Net Assets

As of June 30, 2023, the Board of Directors has designated net assets without donor restrictions for the following purposes:

General reserve fund	\$ <u>1,143,321</u>
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7. 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, 2023:

Specific Purpose:	
Show sponsorships	\$ 43,670
Capital needs	4,866
Promises to give restricted by donors for:	
Capital needs	3,849
Show Sponsorship	30,000
Total specified purpose	82,385
Time restrictions:	
Promises to give not restricted by donors for:	
UPAF (summer allocation)	79,542
Operating	143,312
Total time restrictions	222,854
Total net assets with donor restrictions	\$ 305,239

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Notes to Financial Statements
June 30, 2023
(Continued)

7. 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, 2023 are as follows:

Expiration of time restrictions:	
UPAF (summer allocation)	\$ 79,542
Operating	76,781
Other	<u>10,000</u>
Total expirations of time restrictions	<u>166,323</u>
Satisfactions of purpose restrictions:	
Show sponsorships	26,000
Capital needs	<u>23,506</u>
Total satisfactions of purpose restrictions	<u>49,506</u>
Total net assets released from restriction	\$ <u>215,829</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, 2023 is as follows:

UPAF Summer Allocation	
(Restricted as of June 30, 2022, released on July 01, 2022)	\$ 79,542
Additional Contributions made during the year	<u>436,122</u>
UPAF Contributions, for fiscal year ended June 30, 2023	<u>\$ 515,664</u>
UPAF Summer Allocation	
(Restricted as of June 30, 2023, released on July 01, 2023)	<u>\$ 79,542</u>

8. Deferred Revenue – Ticket Sales

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. Deferred revenue at June 30, 2021 was \$362,350

9. 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, 2023:

	<u>2023</u>
Revenue:	
Non-exchange contributions	\$ 63,439
Exchange direct benefit to donor	<u>24,569</u>
Total revenue	<u>88,008</u>
Expenses:	
Direct benefit to donors	23,001
Incidental benefits	<u>60,983</u>
Total expense	<u>83,984</u>
Special events, net	\$ <u>4,024</u>

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Notes to Financial Statements
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(Continued)

10. Lease Commitments

The Organization leases certain office facilities and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging from one year to eight years. We include in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Our operating lease provides for increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. We have elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. We have applied the risk-free rate option to the building and office equipment classes of assets.

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted Average Remaining Lease Term	
Operating leases	4.67 years
Finance leases	4.0 years
 Weighted Average Discount Rate	
Operating leases	2.88%
Finance leases	2.88%

The maturities of lease liabilities as of June 30, 2023 were as follows:

	<u>Operating</u>	<u>Finance</u>
Year ending June 30,		
2024	\$ 464,104	\$ 5,822
2025	500,701	5,822
2026	540,189	5,822
2027	582,797	5,821
2028	410,718	---
Total lease payments	2,498,509	23,287
Less: Interest	(172,316)	(1,263)
Present value of lease liabilities	\$ 2,326,193	\$ 22,024

The following summarizes the line items in the statement of functional expenses which include the components of lease expense for the year ended June 30, 2023:

Operating lease costs:	
Office space	\$ 314,058
Postage meter	852
Theatre space	201,982
Total operating lease cost	\$ 516,892
Finance lease costs:	
Amortization of right-of-use assets (copier)	\$ 5,429
Interest on lease liabilities included in interest expense	701
Total finance lease costs	\$ 6,130

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(Continued)

11. Contributed Nonfinancial Assets

Contributed nonfinancial assets of non-cash supplies and services are recorded as revenue and expenses at their fair value. Contributed services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses or as additions to property and equipment. The statement of activities includes the following contributed nonfinancial assets recognized by category for the year ended June 30, 2023:

<u>Type</u>	<u>Amounts Recognized</u>	<u>Utilization in Program/Activities</u>	<u>Classification on Statement of Activities</u>
Raffle Items	\$ 13,029	Fundraising	Contributed nonfinancial assets
Investment Advisor Fees	15,849	Administrative	Contributed nonfinancial assets
Total revenue	\$ <u>28,878</u>		

There were no donor restrictions on any of the contributed nonfinancial assets received for the years ended June 30, 2023.

12. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (January 22, 2024). There were no additional subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements.