Kimmel Center, Inc.

Financial Statements

June 30, 2021 and 2020

mazars

Kimmel Center, Inc.

Table of Contents
June 30, 2021 and 2020

mazars

Mazars USA LLP
501 Office Center Drive
Suite 300
Fort Washington, Pennsylvania 19034

Tel: 215.259.1000
www.mazars.us

Independent Auditors' Report

To the Board of Directors of
Kimmel Center, Inc.

We have audited the accompanying financial statements of Kimmel Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Kimmel Center, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment
As discussed in Note 23 to the financial statements, the Kimmel Center's net assets with donor restrictions and nets assets without donor restrictions at June 30, 2020 have been retroactively restated to correct the recording of donor restricted net assets which were released from restrictions during the year. Our opinion is not modified with respect to the matter.

Mazars USA LLP

December 13, 2021

Kimmel Center, Inc.

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020 (Restated)
Assets		
Current assets		
Cash and cash equivalents	$ 10,722,090	$ 11,196,715
Restricted cash	3,231,842	2,119,336
Accounts receivable, net of allowance of $812,300 for 2021 and $1,221,893 for 2020	813,581	97,712
Current portion of contributions receivable, net	2,124,846	2,519,628
Current portion of unconditional promises to give to endowment, net	208,111	405,111
Due from Ticket Philadelphia joint venture	5,751,015	-
State and city grants receivable	85,283	80,000
Prepaid expenses and other current assets	220,985	306,357
Total current assets	23,157,753	16,724,859
Property, buildings and equipment		
Land and land rights, net	18,671,290	18,900,121
Buildings, improvements and equipment, net	139,001,269	146,205,309
Total property, buildings and equipment	157,672,559	165,105,430
Noncurrent endowment funds		
Investments, controlled by the Center	62,885,231	51,870,226
Investments, held by third parties	14,514,520	10,108,287
Unconditional promises to give, net of current portion	12,577	182,373
Total noncurrent endowment funds	77,412,328	62,160,886
Other assets		
Non-current portion of contributions receivable, net	308,996	1,477,485
Investment in Ticket Philadelphia joint venture	-	123,112
Investment in management service companies	178,056	178,056
Charitable remainder trusts	222,986	183,617
Total other assets	710,038	1,962,270
Total assets	$ 258,952,678	$ 245,953,445

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

Kimmel Center, Inc.

Statements of Financial Position (Cont'd)
June 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		(Restated)
Current liabilities		
Line of credit	$ -	$ 4,900,000
Current portion of notes payable	72,957	-
Current portion of CARES Act loan payable	3,805,875	1,665,260
Accounts payable and accrued expenses	2,972,462	2,287,864
Current portion of capital lease obligations	59,107	59,284
Due to Ticket Philadelphia joint venture		566,530
Contract liabilities	1,352,574	1,042,303
Advance ticket sales	10,517,260	6,986,275
Total current liabilities	18,780,235	17,507,516
Notes payable	10,001,272	5,000,000
CARES Act loan payable, net of current portion	-	2,140,615
Capital lease obligations, net of current portion	72,325	136,245
Deficiency in investment in Ticket Philadelphia joint venture	545,985	-
Other liabilities	151,457	112,088
Total liabilities	29,551,274	24,896,464
Commitments and contingencies		
Net assets		
Without donor restrictions:		
Undesignated	(7,147,959)	(10,861,906)
Net investment in property, building and equipment	157,599,602	165,105,430
	150,451,643	154,243,524
With donor restrictions:		
Time and purpose restrictions	1,329,322	4,247,460
Endowment funds	77,620,439	62,565,997
	78,949,761	66,813,457
Total net assets	229,401,404	221,056,981
Total liabilities and net assets	$ 258,952,678	$ 245,953,445

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

Kimmel Center, Inc.

Statements of Activities
Year Ended June 30, 2021 with Summarized Financial Information for the Year Ended June 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Restated Total
Revenue, gains and other support				
Performances and events	$ 640,718	$ -	$ 640,718	$ 26,497,002
Contributions, sponsorships and memberships, net of discounts and reserves	6,034,187	1,780,397	7,814,584	7,811,717
Investment income, net	14,274	19,237,344	19,251,618	1,465,413
Loss from investment in joint venture	(669,097)		(669,097)	-
Other	410,235	-	410,235	550,191
Net assets released from restrictions				
Endowment draws	4,403,088	(4,403,088)	-	-
Satisfaction of time and purpose restrictions	4,478,349	(4,478,349)	-	-
Total revenue, gains and other support	15,311,754	12,136,304	27,448,058	36,324,323
Expenses				
Program services				
Performances and events	1,563,940	-	1,563,940	23,353,141
Event facilities	12,671,095	-	12,671,095	17,639,427
Education and outreach	671,052	-	671,052	863,245
	14,906,087	-	14,906,087	41,855,813
Support services				
Marketing and communications	754,292	-	754,292	1,307,194
Management, administration and general	2,905,658	-	2,905,658	4,459,178
Fundraising	537,598	-	537,598	1,679,292
	4,197,548	-	4,197,548	7,445,664
Total expenses	19,103,635	-	19,103,635	49,301,477
Change in net assets	(3,791,881)	12,136,304	8,344,423	(12,977,154)
Net assets at beginning of year, as restated	154,243,524	66,813,457	221,056,981	234,034,135
Net assets at end of year	$150,451,643	$ 78,949,761	$229,401,404	$221,056,981

Kimmel Center, Inc.

Statements of Activities
Year Ended June 30, 2020

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
Revenue, gains and other support			
Performances and events	$ 26,497,002	$ -	$ 26,497,002
Contributions, sponsorships and memberships, net of discounts and reserves	2,334,646	5,477,071	7,811,717
Investment income, net	24,460	1,440,953	1,465,413
Other	550,191	-	550,191
Net assets released from restrictions			
Endowment draws	5,618,088	(5,618,088)	-
Satisfaction of sponsorship and capital restrictions	7,029,314	(7,029,314)	-
Total revenue, gains and other support	42,053,701	(5,729,378)	36,324,323
Expenses			
Program services			
Performances and events	23,353,141	-	23,353,141
Event facilities	17,639,427	-	17,639,427
Education and outreach	863,245	-	863,245
	41,855,813	-	41,855,813
Support services			
Marketing and communications	1,307,194	-	1,307,194
Management, administration and general	4,459,178	-	4,459,178
Fundraising	1,679,292	-	1,679,292
	7,445,664	-	7,445,664
Total expenses	49,301,477	-	49,301,477
Change in net assets	(7,247,776)	(5,729,378)	(12,977,154)
Net assets at beginning of year	161,491,300	72,542,835	234,034,135
Net assets at end of year	$ 154,243,524	$ 66,813,457	$ 221,056,981

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

Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2021						
	Program Services			Supporting Services			
	Performances and Events	Event Facilities	Education and Outreach	Marketing and Communication	Managament, Administration and General	Fundraising	Total
Payroll	$ 1,297,178	$ 1,544,867	$ 426,455	$ 623,893	$ 1,978,033	$ 469,955	$ 6,340,381
Advertising expenses	103,445	-	-	-	-	52	103,497
Depreciation and amortization	-	8,276,337	-	-	61,320	-	8,337,657
Event expenses	73,557		80,292	10,577	-	-	164,426
Interest	-	305,123	-	-	-	-	305,123
Maintenance and repairs	-	1,016,636	-	-	-	-	1,016,636
Miscellaneous expenses	944	666,718	34,068	2,986	19,128	357	724,201
Office expenses	45,404	172,359	130,237	108,740	1,333	13,979	472,052
Professional and service fees	9,455	50,601	-	8,096	545,213	53,255	666,620
Rent and utilities	33,957	638,454	-	-	300,631	-	973,042
	$ 1,563,940	$ 12,671,095	$ 671,052	$ 754,292	$ 2,905,658	$ 537,598	$ 19,103,635

	Year Ended June 30, 2020						
	Program Services			Supporting Services			
	Performances and Events	Event Facilities	Education and Outreach	Marketing and Communication	Managament Administration and General	Fundraising	Total
Payroll	$ 8,412,689	$ 4,297,558	$ 628,780	$ 1,060,853	$ 2,315,014	$ 899,000	$ 17,613,894
Advertising expenses	2,950,766	51,334	-	-	-	11,434	3,013,534
Bad debts	1,238,987				-		1,238,987
Depreciation and amortization	-	8,129,273	-	-	61,320	-	8,190,593
Event expenses	7,184,246		109,651	25,230	-	657,792	7,976,919
Interest	-	247,598	-	-	-	-	247,598
Maintenance and repairs	-	2,575,674	-	-	-	-	2,575,674
Miscellaneous expenses	37,746	748,725	9,492	37,177	151,196	4,617	988,953
Office expenses	315,213	123,126	115,322	160,120	1,130,940	40,654	1,885,375
Professional and service fees	2,747,670	403,091	-	23,814	504,030	65,795	3,744,400
Rent and utilities	465,824	1,063,048	-	-	296,678	-	1,825,550
	$ 23,353,141	$ 17,639,427	$ 863,245	$ 1,307,194	$ 4,459,178	$ 1,679,292	$ 49,301,477

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated between services are allocated based on estimated time and effort.

Kimmel Center, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 8,344,423	$ (12,977,154)
Adjustment to reconcile change in net assets to net cash used in operating activities		
Bad debt expense	-	1,238,987
Depreciation and amortization	8,337,657	8,190,593
Forgiveness of debt	-	-
Change in discounts on contributions and unconditional promises to give	(26,524)	(45,013)
Contributions designated for endowment	-	(8,979)
Loss from investment in joint venture	669,097	298,448
Net unrealized and realized gains on investments	(19,237,344)	(1,440,953)
Loss on other investments	-	66,822
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(715,869)	(747,290)
State and city grants receivable	(5,283)	20,000
Contributions receivable	1,583,591	1,118,940
Unconditional promises to give, net of discounts	373,000	442,112
Due to/from Ticket Philadelphia joint venture	(6,317,545)	666,531
Prepaid expenses and other current assets	85,372	3,124,596
Accounts payable and accrued expenses	684,598	(1,648,209)
Advanced ticket sales	3,530,985	(2,115,055)
Contract liabilities	310,271	(500,991)
Net cash used in operating activities	(2,383,571)	(4,316,615)
Cash flows from investing activities		
Purchases of building, equipment and construction in process	(904,786)	(4,900,609)
Purchase of endowment fund investments	(586,982)	(156,904)
Investment sales to fund endowment draw	4,403,088	5,618,088
Distribution from joint venture	-	556,117
Net cash provided by investing activities	2,911,320	1,116,692

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

Kimmel Center, Inc.

Statements of Cash Flows (Cont'd)
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from financing activities		
Net (payments) proceeds on line of credit	(4,900,000)	4,900,000
Proceeds from CARES Act loan payble	-	3,805,875
Payments on notes payable	5,074,229	-
Additions to investments restricted for long-term use	-	8,979
Principal payments under capital lease obligations	(64,097)	(60,826)
Net cash provided by financing activities	110,132	8,654,028
Net increase in cash and cash equivalents	637,881	5,454,105
Cash and restricted cash at beginning of year	13,316,051	7,861,946
Cash and restricted cash at end of year	$ 13,953,932	$ 13,316,051
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 305,123	$ 184,434

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

1. Nature of Organization

Kimmel Center, Inc. ("Center") is a nonprofit corporation established to operate the Kimmel Center located at Broad and Spruce Streets in Philadelphia, Pennsylvania, which opened in December 2001. The Kimmel Center consists of a concert hall ("Verizon Hall") and a smaller recital theater ("Perelman Theater") that are rented to the Philadelphia Orchestra ("Orchestra") and several other Resident Companies (see Note 15). In addition, the Center operates the Academy of Music ("Academy"), which is home to Opera Philadelphia ("Opera") and The Pennsylvania Ballet ("Ballet"), and the Merriam Theater. The venues of the Kimmel Center, the Academy and the Merriam Theater are also rented to third-party customers for various types of performances and events.

The Center presents programs of various types in Verizon Hall, Perelman Theater, the Academy and the Merriam Theater.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Center is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation
In accordance with accounting principles generally accepted in the United States of America, the financial statements have been prepared on the accrual basis of accounting. In addition, the Center follows the requirements of the Financial Accounting Standards Board Accounting Standards Codification 958, Not-for-Profit Entities ("ASC 958"). Under ASC 958, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions. The board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the time of purchase.

Restricted Cash
Restricted cash represents cash held by the Center whose use is restricted to certain purposes pursuant to agreements with other parties.

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported within the balance sheet to the same items reports in the cash flow statement.

	2021	2020
Cash and cash equivalents	$ 10,722,090	$ 11,196,715
Restricted cash	3,231,842	2,119,336
Total cash and cash equivalents and restricted cash	$ 13,953,932	$ 13,316,051

Accounts Receivable

The Center carries its accounts receivable at cost less an allowance for doubtful accounts. Management evaluates its accounts receivable and establishes an allowance for doubtful accounts based on communications from payers and payment history. Accounts receivable are written off against the allowance when management determines that recovery is unlikely and the Center ceases its collection efforts.

Investments

The Center's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Interest is included in income when earned, based on the terms of the investments and the periods during which the investments are owned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless the income is restricted by donor or law.

The Center's 50% investment in the Ticket Philadelphia joint venture is accounted for on the equity method.

Land and Land Rights

Land is stated at cost. Land rights were recorded at cost at the time acquired and are being amortized on a straight-line basis over the remaining life of the lease associated with the land rights.

Buildings, Improvements and Equipment

Buildings, improvements and equipment, except for donated assets, are stated at cost and depreciated on a straight-line basis over the estimated useful life. At the time the assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposition is credited or charged to changes in unrestricted net assets. The Center's buildings are depreciated on a straight-line basis over an estimated useful life of 40 years and the equipment and leasehold improvements are depreciated over estimated useful lives of 3 to 40 years. Repair and maintenance costs are expensed when incurred.

Donations of buildings and equipment are recorded as other support at estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, buildings, improvements and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Fine Art

Pieces of fine art are recorded at cost and not depreciated and are included in buildings, improvements and equipment.

Net Assets Restricted for Time and Purpose

Net assets restricted for time and purpose represent contributions restricted by donors to a specific time period or purpose. Net appreciation in excess of amounts appropriate for expenditure of permanently restricted investments is recognized within net assets with donor restrictions until such monies are drawn from the endowment in accordance with the spending policy (Note 5).

Net Assets Restricted for Endowment Purpose
Net assets restricted for endowment purposes represent contributions restricted by donors to be held in perpetuity that can only be appropriated for expenditure by the Center in accordance with the Pennsylvania law.

The Center is the beneficiary of two charitable remainder trusts and holds a beneficial interest in a perpetual fund. The trusts and the fund are held by third parties and contain restrictions as to the use of the income derived from the trusts, which include maintenance of the facility and support for educational and community programs.

Recent Accounting Pronouncements
The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Center has adopted the Accounting Standards Update (ASU) No. 2014-09 – revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Center's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Revenue Recognition
Revenues from Center-sponsored performance admissions, ticket surcharges, third-party and Resident Company rentals and charges are recorded at the established rates in the period the performance occurs, which is the performance obligation. Any tickets purchased in advance of a future performance, are classified as advanced ticket sales, which is separately shown as a current liability on the statements of financial position.

Other Revenue
Other revenue includes amounts earned for joint-venture income, parking fees, restaurant and catering commissions, artist merchandise sales and advertising revenues. Other revenue is recognized when the obligation is met, which is when the sale or service occurs.

Contributions
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future use or restricted by the donor for specific purposes are reported as support with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributions of donated services of professional fees totaled $414,142 and $271,830 for the years ended June 30, 2021 and 2020, respectively.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows discounted at fair value using an appropriate interest rate applicable to the years in which the promises are received.

Management evaluates its unconditional promises to give and establishes an allowance for doubtful pledges based on communications from donors and other information. Unconditional promises to give are written off against the allowance when management determines that recovery is unlikely and the Center ceases its collection efforts.

Advertising Costs

Advertising costs for direct-response advertising used to elicit sales to customers for performances in future fiscal years are capitalized and amortized as the expected future revenues are earned. Other advertising costs are expensed as incurred. Advertising costs for the years ended June 30, 2021 and 2020 were $938,608 and $4,472,808, respectively. Capitalized advertising totaled $141,349 and $13,222 at June 30, 2021 and 2020, respectively.

Income Taxes

The Center is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law.

Reclassifications

Certain prior-year amounts have been reclassified to conform to current year account classifications.

3. Liquidity and Availability

The Center's financial assets available within one year of the statement of financial position date for general expenditures as of June 30, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	$ 10,722,090	$ 11,196,715
Accounts receivable, net	813,581	97,712
Current portion of contribution receivables	2,332,957	2,924,739
Due from Ticket Philadelphia joint venture	5,751,015	
State and city grants receivable	85,283	80,000
Financial assets available within one year	19,704,926	14,299,166
Less: Donor-imposed restrctions	(1,329,322)	(4,247,460)
Total financial assets available to management for general expenditures within one year	$ 18,375,604	$ 10,051,706

In addition to its financial assets available in one year, the Center relies on proceeds from performances, events and rent from resident companies to cover its general expenditures, which includes the costs of producing such performances and events. While these proceeds are designed to offset most of its general expenditures, fundraising and endowment draws are used to supplement these resources when necessary. As part of the Center’s liquidly management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The spread of the coronavirus (COVID-19) outbreak in the United States has resulted in economic uncertainties which have negatively impacted the Center’s business operations.

The Center has been closed since March 2020, in compliance with government guidelines. Aggressive cost-containment measures, including staff reductions and suspension or renegotiation of contracts with vendors, were implemented that significantly reduced the Center’s annual operating budget. Driven by reduced ticket sales and venue rentals, the financial impact of COVID-19 was significant. Upon reopening in October 2022, the Center initially expects lower than normal audience levels and increased expenses related to health and safety measures. A COVID-19 Relief Fund campaign, which was started in the year ended June 30, 2020, continued during fiscal year 2021, and the Board allowed for an increased spending rate from the endowment fund.

The full impact of the current global health crisis and financial market conditions cannot be determined. However, management is actively monitoring the global situation on the Center's financial condition, liquidity, operations, industry and workforce. The Center is continuing to evaluate the effects of the coronavirus on its results of operations, financial condition and liquidity for fiscal year 2022.

4. Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820") establishes a 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 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 Center 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.

Following is a description of the valuation methodologies used for assets measured at fair value:

- Level 1 short-term investments and endowment investments in debt and equity securities are valued using quoted market prices in an active market.

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 Center 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.

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of June 30, 2021 and 2020. Included in the table, classified as level 1, are the amounts classified in the statements of financial position as (1) noncurrent endowment funds - investments controlled by the Center and (2) noncurrent endowment funds – investments held by third parties, which collectively consist of short-term investments and investments in debt and equity securities.

	Level 1	Total
June 30, 2021		
Short-term investments	$ 934,170	$ 934,170
Domestic equities	39,584,179	39,584,179
International equities	16,320,535	16,320,535
Fixed income funds	6,636,771	6,636,771
REITs	1,132,948	1,132,948
Other	1,605,417	1,605,417
Total investments in the fair value hierarchy	66,214,020	66,214,020
Private equities, measured at net asset value (a)	-	11,185,731
Total investments at fair value	$ 66,214,020	$ 77,399,751
June 30, 2020		
Cash and short-term investments	$ 3,282,492	$ 3,282,492
Domestic equities	28,988,389	28,988,389
International equities	12,123,097	12,123,097
Fixed income funds	6,095,969	6,095,969
Other	2,006,419	2,006,419
Total investments in the fair value hierarchy	52,496,366	52,496,366
Private equities, measured at net asset value (a)	-	9,482,147
Total investments at fair value	$ 52,496,366	$ 61,978,513

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

(b) The Center may be required to make additional capital call contributions in the amount of approximately $3,800,000.

Investment income is stated net of investment expense of $425,464 and $412,395 for the years ended June 30, 2021 and 2020, respectively.

5. Net Assets Restricted for Time and Purpose

Net assets restricted for time and purpose include and are available for the following:

	June 30,	
	2021	2020
Performance sponsorships	$ 850,000	$ 1,404,500
Capital improvements	479,322	2,032,582
Covid relief	-	810,378
Total	$ 1,329,322	$ 4,247,460

6. Net Assets Restricted for Endowment

In accordance with Pennsylvania law, the Center has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding to Center programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Center's spending and investment policies are aligned to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes which are subject to market conditions. To satisfy its long-term rate-of-return objectives, the Center allocates capital into diverse asset classes to obtain consolidated investment returns which are the combination of investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The diversified asset selection is evaluated against prudent risk parameters.

For the years ended June 30, 2021 and 2020, the spending rate as approved by the Board of Directors was 10.0% and 7.0%, respectively.

The Center recognizes the original donations and certain investment returns as net assets with donor restrictions. Net investment gains eligible for expenditure in accordance with the spending rule are recorded as time and purpose restricted net assets. Occasionally, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while others are unaffected to the same extent and maintain or exceed the level required. As of June 30, 2021 and 2020, the original donor restricted endowment funds totaled $61,775,643 and $61,402,643, with their respective current fair values of $68,935,966 and $56,277,452. Thus, there was no deficiency to report as of June 30, 2021. As of June 30, 2020, the aggregate amount of deficiency, reported in net assets with donor restrictions, endowment funds, was $5,125,191.

Changes in endowment net assets consisted of the following for the years ended June 30, 2021 and 2020:

	With donor restrictions		
	Time and Purpose Restrictions	Endowment Funds	Total
Endowment assets, June 30, 2019	$ -	$ 67,037,319	$ 67,037,319
Net earnings and appreciation, net	1,202,228	(109,454)	1,092,774
Contributions	-	8,979	8,979
Change in discounting of pledges	31,052	13,961	45,013
Endowment draw	(5,387,127)	(230,961)	(5,618,088)
Reclassification of funds with deficiencies	4,153,847	(4,153,847)	-
Endowment assets, June 30, 2020	-	62,565,997	62,565,997
Net earnings and appreciation	-	18,846,060	18,846,060
Change in discounting of pledges	-	6,204	6,204
Endowment draw	-	(4,403,088)	(4,403,088)
Contributions		605,266	605,266
Endowment assets, June 30, 2021	$ -	$ 77,620,439	$ 77,620,439

Net assets restricted for endowment, which are all donor-restricted, consisted of the following for the years ended June 30, 2021 and 2020:

June 30, 2021	
Investments, controlled by the Center	$ 62,885,231
Investments, held by third parties	14,514,520
Unconditional promises to give, net	220,688
Total funds	$ 77,620,439

June 30, 2020	
Donor-restricted funds	
Investments, controlled by the Center	$ 51,870,226
Investments, held by third parties	10,108,287
Unconditional promises to give, net	587,484
Total funds	$ 62,565,997

Unconditional promises to give are reflected net of discounts to present value when they are to be received in the future.

The investments held by third parties require periodic distributions of income to the Center, which are restricted for maintenance of the Center and support for educational or community programs. The investments held by third parties in which the Center has a beneficial interest are valued at the Center's share of the holder's investments since that is the best indicator of the fair market value. The income from the investments in endowment funds held by the Center is to be used to support the Center's operations and to support maintenance of the Center or educational or community programs and is reported in contributions to net assets with donor restrictions.

7. Investment in Management Services Company

On January 1, 2005, the Center and four other performing arts centers ("Members") entered into an agreement to form a limited liability company named Five Cent Productions, L.L.C. ("Five Cent"), whose purpose is to invest in, and provide business management services to, Elephant Eye Theatricals, L.L.C., a company organized principally for the purpose of acquiring, licensing and disposing of rights in literary, film, music and theatrical properties and developing, managing, producing, licensing, investing in, and presenting musical theater properties. The business affairs of Five Cent are managed by officers of the organization who are also officers of one of the other Members.

Under the terms of an operating agreement, each of the Members has made the agreed-upon capital contribution to Five Cent of $500,000 for a 20% ownership interest. Through June 30, 2015, the investment was adjusted annually for losses incurred. In the years ended June 30, 2021 and 2020, the Center evaluated the Five Cent investment for impairment due to the lack of historical or expected future dividends and financial information provided by Five Cent. The Center made the decision to write off the investment balance of $82,192 during the year ended June 30, 2020.

8. Contributions Receivable

The Center has received unconditional promises to give which are receivable over the next five years and thereafter. These receivables have been discounted at a rate of 2.5%. The amounts due consisted of the following at June 30, 2021 and 2020:

	2021 Total	2020 Total
Due in Years Ending June 30,		
2021	$ -	$ 3,381,813
2022	2,790,031	1,270,397
2023	225,969	387,880
2024	-	7,500
2025	-	-
2026	-	25,000
Thereafter	100,000	-
Total contributions receivable	3,116,000	5,072,590
Less: discount to net present value	(4,395)	(30,919)
Less: allowance for doubtful accounts	(457,074)	(457,074)
Net contributions receivable	2,654,531	4,584,597
Less: current portion, net	(2,332,957)	(2,924,739)
Non-current portion, net	$ 321,574	$ 1,659,858

9. Investment in Joint Venture

The Center and the Orchestra entered into an agreement on July 1, 2001 to establish Ticket Philadelphia ("Venture"), an entity that provides comprehensive ticketing services for all performances and other ticketed events at the Center, the Academy, the Merriam Theater and other venues. The business affairs of the Venture are monitored by a seven-member advisory board. Day-to-day operations of the Venture are controlled by the Center. The Venture leases employees from the Center. The expenses incurred by the Center and the Orchestra in the performance of ticketing services are reimbursed by the Venture to the extent provided in an approved Business Plan.

The investment in the Venture totaled ($545,985) and $123,112 at June 30, 2021 and 2020, respectively. The Center's share of the Venture's net loss was $669,097 and $298,448 for 2021 and 2020, respectively. The net amount due from(to) the Venture totaled $5,751,015 and ($566,530) at June 30, 2021 and 2020, respectively.

10. Land and Land Rights

The City of Philadelphia ("City"), through the Philadelphia Authority for Industrial Development ("Authority"), acquired land for the Center to construct the concert hall. Land rights are recorded at their total acquisition cost of $20,365,895 and are presented in the statement of financial position, net of accumulated amortization of $4,471,725 and $4,242,894 at June 30, 2021 and 2020, respectively. Land rights are being amortized on a straight-line basis over the 74-year remaining life of the lease which commenced when the building was placed into service in December 2001. Amortization expense was $228,830 in each of the years ended June 30, 2021 and 2020.

The Center has an agreement to lease the land from the Authority for 90 years with three 99-year options to renew at $10 per year.

11. Buildings, Improvements and Equipment

Buildings, improvements and equipment consisted of the following:

	June 30, 2021	June 30, 2020
Buildings	$ 242,977,939	$ 242,339,080
Equipment	19,289,622	19,145,720
Leasehold improvements	4,969,390	3,886,647
Construction in process	5,001,089	5,974,904
Total	272,238,040	271,346,351
Less: accumulated depreciation	(133,236,771)	(125,141,042)
Buildings, improvements and equipment, net	$ 139,001,269	$ 146,205,309

Depreciation expense was $8,108,827 and $7,961,763 for the years ended 2021 and 2020, respectively.

12. Lines of Credit and Notes Payable

In December 2020, the Center entered into a $5,000,000 term loan. The loan bears interest at 3% above one-month Libor (3.09% at June 30, 2021). Interest accrues monthly and will be capitalized as additional principal. On the 3rd and 4th year anniversary of the loan, the Center will repay 15% of the outstanding principal and accrued interest. A final installment payment of total outstanding principal and interest is due on December 11, 2025. Interest expense on this loan was $74,229 for the year ended June 30, 2021. The loan is collateralized by substantially all of the Center's assets, excluding the endowment, and is subject to certain financial covenants.

The Center has a $5,000,000 revolving loan agreement ("Line of Credit") for working capital purposes which expires January 31, 2023. The interest rate on the Line of Credit is One-Month LIBOR plus 2.25% (2.34% at June 30, 2021). The loan is collateralized by substantially all of the Center's assets, excluding real estate and the endowment. There were no outstanding balances under the Line of Credit at June 30, 2021. As of June 30, 2020, the outstanding balance on the line of credit was $4,900,000. Interest expense incurred on the Line of Credit for the years ended June 30, 2021 and 2020, was $106,903 and $63,164, respectively.

In November 2016, the Center entered into a $5,000,000 mortgage payable for the purchase of the Merriam Theater. Interest only payments of 3.58% are to be made monthly for the first 60 months of the note; after 60 months, consecutive level monthly installments of $25,246, with one balloon payment of $4,383,604 payable in November 2026. Interest expense on the note was $116,882 and $174,836 for the years ended June 30, 2021 and 2020, respectively.

The following is a summary of principal maturities of the mortgage during the next five years:

For the Years Ending June 30,	
2022	$ 72,957
2023	128,664
2024	133,347
2025	138,199
2026	4,526,833
Total	$ 5,000,000

13. Cares Act

In April 2020, the Center received a Paycheck Protection Program loan under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act is administered by the U.S. Small Business Administration ("SBA"). The amount of this loan was $3,805,875 at June 30, 2021 and 2020, respectively. This is a term loan that will mature in 24 months with an interest rate of 1.0% per year. Monthly principal and interest payments of $213,115 are deferred for the first 6 months, then will continue for an 18-month period. A portion of the loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program requirements. The Center will record forgiveness of debt for amounts forgiven under the Paycheck Protection Program when such amounts are formally forgiven. In September 2021, the Center received notification from the Small Business administration that $3,564,436 of the CARES Act Payroll Protection Program loan was forgiven.

14. Capital Leases

The Center leases office equipment under a capital lease which expires in July 2024. The leased equipment is included in buildings and equipment.

The following is a summary of property held under capital leases:

	June 30, 2021	June 30, 2020
Office equipment	$ 321,927	$ 321,927
Accumulated amortization	(194,178)	(132,859)
Net office equipment	$ 127,749	$ 189,068

At June 30, 2021, total future minimum annual lease payments under capital lease obligations with an initial or remaining lease term of one year or more were as follows:

For the Years Ending June 30,	
2022	$ 68,400
2023	68,400
2024	887
Total minimum lease payments	137,687
Less: amounts representing interest at 4.18%	(6,255)
Present value of net minimum lease payments	131,432
Less: current portion	(59,107)
Non-current portion	$ 72,325

15. Operating Leases

The Center leases certain office space used in its operations, which require monthly payments ranging from $9,676 to $23,222 expiring through February 2023. The following is a schedule of the future minimum lease payments under this lease as of June 30, 2021:

For the Years Ending June 30,	
2022	$ 273,824
2023	185,776
	$ 459,600

Rent expense was $231,952 for June 30, 2021 and 2020, respectively.

The Center has a Master Lease with the Academy which expired in June 2012 and was automatically renewed for the first of two renewal periods which extends to June 15, 2026; the second renewal period extends the lease to June 15, 2031. Rental payments are $1 per year. Subsequent to the expiration of the second renewal period, the lease may be renewed for one additional period of ten years, three periods of fifteen years each and a final period of four years. Rental payments for the last five renewal periods will be at the fair value determined for each period. As part of the agreement, the Center operates, manages, licenses, schedules, maintains and repairs the Academy. The Center rents the Academy to Resident Companies and third-party renters and earns rental and cost recovery fees and ticket surcharges in connection with performances. Additionally, the Center also earns revenue from theatrical performances it presents at the Academy.

16. Other Agreements

Resident Company Agreements

The Center has agreements with eight Philadelphia performing arts groups referred to as the "Resident Companies." The groups include the Orchestra, Ballet, Opera, Encore Series, Inc., Philadanco, the Philadelphia Chamber Music Society, the Chamber Orchestra of Philadelphia and the Curtis Institute. These agreements have expiration dates between 2022 and 2027. The Center receives ticket surcharges, rental and various other revenues from the Resident Companies in exchange for use of the venues managed by the Center, which includes Verizon Hall, Perelman Theater, the Academy and Merriam Theater. The revenues from these agreements are based on the number of performances held at the Center's venues and, in some cases, the attendance at each performance.

The Center has a sublease with the Orchestra subject to the terms of the Center's lease with the Academy. The agreement expires in December 2026 and has four renewal periods of fifteen years each and a fifth renewal period of four years that could extend the lease to June 15, 2090. In connection with the sublease agreement, the Center has committed to fund a minimum of $260,000 annually toward maintenance of the Academy.

Future minimum annual rental payments to be received under the Resident Company agreements are as follows:

For the Years Ending June 30,	
2022	$ 2,024,809
2023	1,931,131
2024	1,960,098
2025	1,989,499
2026	2,019,342
Thereafter	2,049,632
	$ 11,974,511

Total rental income was $51,800 and $2,653,694 for 2021 and 2020, respectively.

Parking Agreement

The Center had an agreement with a third party to manage an underground parking garage with approximately 135 spaces located beneath the Center through June 2020. Pursuant to this agreement, the Center paid a base management fee of $2,060 per month, with a 3% per year increase for the duration of the agreement. Additional incentive management fees are payable upon reaching a required net operating income level. For the years ended June 30, 2021 and 2020, no incentive management fees were incurred.

Concessionary Agreements

The Center has an agreement with a concessionaire for the operation of all food and beverage services within the Center and the Academy through March 2027. The Center receives concession fees based on a percentage of the concessionaire's gross receipts each year. Under the terms of the agreement, the concessionaire will make a lump sum payment to the Center, a portion of which may have to be repaid by the Center in future years if the concession agreement is terminated by either party.

17. Collective Bargaining Agreements

The Center's ticket sellers, ushers, stagehands, receiving personnel and wardrobe attendants are subject to various union contracts expiring through June 2024. The Center contributes to a multiemployer benefit plan for its union employees at rates determined by a collective bargaining agreement. The plan's trustees determines the eligibility and allocations of contributions and benefit amounts, determine the types of benefits, and administer the plan.

The Center contributed $68,170 and $879,838 to the multiemployer pension plan for the years ended June 30, 2021 and 2020, respectively.

For the Center, the financial risks of participating in a multiemployer plan is different from a single employer plan in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in the plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under U.S. legislation regarding multiemployer pension plans, a company is required to pay an amount representing its proportionate share of a plan's unfunded vested benefits in the event of withdrawal (as defined by the legislation) from a plan or upon plan termination.

The Center only participates in one multiemployer pension plan; however the potential withdrawal obligation may be significant. Any withdrawal liability would be recorded when it is probable that a liability exists and can be reasonably estimated, in accordance with GAAP. The Center has no plans to withdraw from this plan.

During the years ended June 30, 2021 and 2020, the Center made annual contributions to one pension plan, covering approximately 69% of the Center's employees. The Center was not listed in the plan's Form 5500 as providing more than 5% of the plan's total contributions. The Center's participation in the multiemployer plan for the years ended June 30, 2021 and 2020 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three digit plan number. The "Pension Protection Act Zone Status" column is based on the latest information that we 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 "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The "Collective Bargaining Agreement Expiration Date" column lists the expiration date of the collection bargaining agreement to which the plan is subject.

Union plan information for the year ended June 30, 2021, is as follows:

Union Name	# of Plan	Pension Protection Act Zone Status	FIP/RP Status Pending or Implemented	Surcharge Imposed	Collective Bargaining Agreement Expiration Date	Contribution of the Center
I.A.T.S.E National Pension Fund	13-1849172 /001	Green as of 12/31/2020	No	No	June 2024	$ 68,170

Union plan information for the year ended June 30, 2020, is as follows:

Union Name	# of Plan	Pension Protection Act Zone Status	FIP/RP Status Pending or Implemented	Surchage Imposed	Collective Bargaining Agreement Expiration Date	Contribution of the Center
I.A.T.S.E National Pension Fund	13-1849172 /001	Green as of 12/31/2019	No	No	June 2024	$ 879,838

The Center also participates in a multi-employer health and welfare plan, and the expense was $45,465 and $615,757 for the years ended June 30, 2021 and 2020, respectively.

18. Contingencies

The Center is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate disposition of matters will not have a material adverse effect on the Center's financial position.

19. Retirement Plan

The Center maintains a defined contribution plan for all full-time employees who are not covered by a collective bargaining agreement and have been employed for more than three months. This plan provides for employee contributions up to specified limits and various levels of discretionary employer matching contributions. The matching contribution expense for the Center was $91,202 and $189,463 for 2021 and 2020, respectively.

20. Concentrations of Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalents, temporary cash investments and contributions receivable. The Center deposits its temporary cash and cash investments primarily in one high credit quality financial institution. Cash balances are insured by the FDIC up to certain limits; however, the majority of the Center's cash and cash equivalents and restricted cash are uninsured.

21. Major Contributors

There were no contributions in excess of 10% in the fiscal year ended June 30, 2021. Approximately 11% of the Center's total contributions were provided by three donors in the fiscal year ended June 30, 2020.

22. Related Party Transactions

Members of the Center's Board of Directors contributed to the annual fund of the Center totaling $369,012 and $401,193 in 2021 and 2020, respectively.

23. Prior-Period Adjustment

The Center's net assets with donor restrictions and nets assets without donor restrictions at June 30, 2020 have been retroactively restated to correct the recording of donor restricted net assets which were released from restrictions during the year. Accordingly, net assets of $3,053,564 have been reclassified from net assets with donor restrictions to net asset without donor restrictions as of June 30, 2020.

The Center restated the releases in the prior year Statement of Activities and Statement of Financial Position as follows:

	Peviously Reported	Increase (Decrease)	Restated
Statement of Activities as of June 30, 2020			
Satisfaction of sponsorship and capital restrictions - With Donor Restrictions	(3,975,750)	(3,053,564)	(7,029,314)
Satisfaction of sponsorship and capital restrictions - Without Donor Restrictions	3,975,750	3,053,564	7,029,314
Balance sheet as of June 30, 2020			
Net assets with time and purpose restrictions	$ 7,301,024	$ (3,053,564)	$ 4,247,460
Net assets without donor restrictions	151,189,960	3,053,564	154,243,524

There was no effect to total net assets as of June 30, 2020 as a result of the restatement.

24. Subsequent Events

The Center has evaluated subsequent events through December 13, 2021, the date these financial statements were available for issuance.

In June 2021, The Center and The Philadelphia Orchestra announced that the two organizations will join forces to form a new parent company, *The Philadelphia Orchestra and Kimmel Center, Inc*. This structure will strengthen business operations and enable more flexible scheduling and collaborative partnerships across the Philadelphia performing arts community. This transaction was finalized on December 2, 2021. Each organization will remain intact as subsidiaries of the parent organization.

In July 2021, the Center accepted a $10,000,000 grant from the U.S Small Business Administration under the “Shuttered Venue Operators” program.

www.mazars.us