Kimmel Center, Inc.

Financial Statements

June 30, 2022 and 2021

mazars

Kimmel Center, Inc.

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June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
Kimmel Center, Inc.

Opinion

We have audited the accompanying financial statements of Kimmel Center, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kimmel Center, Inc. as of June 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise the substantial doubt about Kimmel Center, Inc.'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.

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 Kimmel Center, Inc.'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 Kimmel Center, Inc.'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.

Mazars USA LLP

March 2, 2023

Kimmel Center, Inc.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 23,645,977	$ 10,722,090
Restricted cash	11,368,215	3,231,842
Accounts receivable, net of allowance of $703,635 for 2022 and $812,300 for 2021	824,159	813,581
Current portion of contributions receivable, net	4,697,867	2,124,846
Current portion of unconditional promises to give to endowment, net	55,600	208,111
Due from Ticket Philadelphia joint venture	240,062	5,751,015
State and city grants receivable	103,000	85,283
Prepaid expenses and other current assets	550,533	220,985
Total current assets	41,485,413	23,157,753
Property, buildings and equipment		
Land and land rights, net	18,442,460	18,671,290
Buildings, improvements and equipment, net	135,294,900	139,001,269
Total property, buildings and equipment	153,737,360	157,672,559
Noncurrent endowment funds		
Investments, controlled by the Center	51,355,361	62,885,231
Investments, held by third parties	15,898,275	14,514,520
Unconditional promises to give, net of current portion	-	12,577
Total noncurrent endowment funds	67,253,636	77,412,328
Other assets		
Non-current portion of contributions receivable, net	8,764,056	308,996
Investment in Ticket Philadelphia joint venture	658,127	-
Investment in management service companies	170,433	178,056
Charitable remainder trusts	180,352	222,986
Total other assets	9,772,968	710,038
Total assets	$ 272,249,377	$ 258,952,678

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

Kimmel Center, Inc.

Statements of Financial Position (Cont'd)
June 30, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current liabilities		
Current portion of notes payable	$ 134,978	$ 72,957
Current portion of CARES Act loan payable	-	3,805,875
Accounts payable and accrued expenses	6,883,995	2,972,462
Current portion of capital lease obligations	66,644	59,107
Contract liabilities	1,254,792	1,352,574
Advance ticket sales	11,709,859	10,517,260
Total current liabilities	20,050,268	18,780,235
Notes payable	9,950,508	10,001,272
Capital lease obligations, net of current portion	5,680	72,325
Deficiency in investment in Ticket Philadelphia joint venture		545,985
Other liabilities	108,823	151,457
Total liabilities	30,115,279	29,551,274
Commitments and contingencies		
Net assets		
Without donor restrictions:		
Undesignated	(2,351,493)	(7,147,959)
Net investment in property, building and equipment	153,602,382	157,599,602
	151,250,889	150,451,643
With donor restrictions:		
Time and purpose restrictions	23,573,973	1,329,322
Endowment funds	67,309,236	77,620,439
	90,883,209	78,949,761
Total net assets	242,134,098	229,401,404
Total liabilities and net assets	$ 272,249,377	$ 258,952,678

Kimmel Center, Inc.

Statements of Activities
Year Ended June 30, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, gains and other support				
Performances and events	$ 46,202,319	$ -	$ 46,202,319	$ 640,718
Contributions, sponsorships and memberships, net of discounts and reserves	2,833,225	34,716,893	37,550,118	7,814,584
Investment (loss) income, net	(87,046)	(6,448,981)	(6,536,027)	19,251,618
Gain (loss) from investment in joint venture	1,204,112		1,204,112	(669,097)
Other	1,091,583	-	1,091,583	410,235
CARES Act loan forgiveness, net	3,564,436		3,564,436	-
Net assets released from restrictions				
Endowment draws	3,772,397	(3,772,397)	-	-
Satisfaction of time and purpose restrictions	12,562,067	(12,562,067)	-	-
Total revenue, gains and other support	71,143,093	11,933,448	83,076,541	27,448,058
Expenses				
Program services				
Performances and events	36,221,762	-	36,221,762	1,563,940
Event facilities	22,825,004	-	22,825,004	12,671,095
Education and outreach	1,005,465	-	1,005,465	671,052
	60,052,231	-	60,052,231	14,906,087
Support services				
Marketing and communications	1,867,974	-	1,867,974	754,292
Management, administration and general	6,758,105	-	6,758,105	2,905,658
Fundraising	1,665,537	-	1,665,537	537,598
	10,291,616	-	10,291,616	4,197,548
Total expenses	70,343,847	-	70,343,847	19,103,635
Transfer to POKC - adminsitrative expenses of susidiary	1,062,567	-	1,062,567	-
Transfer from POKC - income allocation to cover expenses	(1,062,567)	-	(1,062,567)	-
Change in net assets	799,246	11,933,448	12,732,694	8,344,423
Net assets at beginning of year	150,451,643	78,949,761	229,401,404	221,056,981
Net assets at end of year	$151,250,889	$ 90,883,209	$ 242,134,098	$ 229,401,404

Kimmel Center, Inc.

Statements of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Performances and events	$ 640,718	$ -	$ 640,718
Contributions, sponsorships and memberships, net of discounts and reserves	6,034,187	1,780,397	7,814,584
Investment income, net	14,274	19,237,344	19,251,618
Loss from investment in joint venture	(669,097)	-	(669,097)
Other	410,235	-	410,235
Net assets released from restrictions			
Endowment draws	4,403,088	(4,403,088)	-
Reclassification of endowment earnings	-	-	-
Satisfaction of sponsorship and capital restrictions	4,478,349	(4,478,349)	-
Total revenue, gains and other support	15,311,754	12,136,304	27,448,058
Expenses			
Program services			
Performances and events	1,563,940	-	1,563,940
Event facilities	12,671,095	-	12,671,095
Education and outreach	671,052	-	671,052
	14,906,087	-	14,906,087
Support services			
Marketing and communications	754,292	-	754,292
Management, administration and general	2,905,658	-	2,905,658
Fundraising	537,598	-	537,598
	4,197,548	-	4,197,548
Total expenses	19,103,635	-	19,103,635
Change in net assets	(3,791,881)	12,136,304	8,344,423
Net assets at beginning of year	154,243,524	66,813,457	221,056,981
Net assets at end of year	$ 150,451,643	$ 78,949,761	$ 229,401,404

Kimmel Center, Inc.

Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	Year Ended June 30, 2022						
	Program Services			Supporting Services			
	Performances and Events	Event Facilities	Education and Outreach	Marketing and Communication	Managament, Administration and General	Fundraising	Total
Payroll	$ 9,238,294	$ 4,934,887	$ 761,789	$ 1,318,351	$ 4,725,485	$ 944,788	$ 21,923,594
Advertising expenses	3,097,892	29,433	-	142,811	-	6,973	3,277,109
Depreciation and amortization	-	8,254,362	-	-	61,320	-	8,315,682
Event expenses	19,187,467	-	135,281	65,145	-	111,948	19,499,841
Grant expense	-	-	-	-	-	499,345	499,345
Interest	-	329,533	-	-	-	-	329,533
Maintenance and repairs	-	2,504,809	-	-	-	-	2,504,809
Miscellaneous expenses	39,290	1,190,214	9,752	68,272	87,320	2,488	1,397,336
Office expenses	529,735	223,388	98,643	243,645	520,302	27,995	1,643,708
Professional and service fees	3,585,569	4,181,112	-	29,750	1,132,068	72,000	9,000,499
Rent and utilities	543,515	1,177,266	-	-	231,610	-	1,952,391
	$ 36,221,762	$ 22,825,004	$ 1,005,465	$ 1,867,974	$ 6,758,105	$ 1,665,537	$ 70,343,847

	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

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, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 12,732,694	$ 8,344,423
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	8,315,682	8,337,657
Forgiveness of debt	(3,564,436)	-
Change in discounts on contributions and unconditional promises to give	631,899	(26,524)
Contributions designated for endowment	25,750	-
(Income) loss from investment in joint venture	(1,204,112)	669,097
Net unrealized and realized losses (gains) on investments	6,448,981	(19,237,344)
Loss on other investments	7,623	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(10,578)	(715,869)
State and city grants receivable	(17,717)	(5,283)
Contributions receivable	(11,659,980)	1,583,591
Unconditional promises to give, net of discounts	165,088	373,000
Due to/from Ticket Philadelphia joint venture	5,510,953	(6,317,545)
Prepaid expenses and other current assets	(329,548)	85,372
Accounts payable and accrued expenses	3,911,533	684,598
Advanced ticket sales	1,192,599	3,530,985
Contract liabilities	(97,782)	310,271
Net cash provided by (used in) operating activities	22,058,649	(2,383,571)
Cash flows from investing activities		
Purchases of building, equipment and construction in process	(4,380,483)	(904,786)
Purchase of endowment fund investments	(75,263)	(586,982)
Investment sales to fund endowment draw	3,772,397	4,403,088
Net cash (used in) provided by investing activities	(683,349)	2,911,320

Kimmel Center, Inc.

Statements of Cash Flows (Cont'd)
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from financing activities		
Net (payments) proceeds on line of credit	-	(4,900,000)
(Payments) proceeds on notes payable	(230,182)	5,074,229
Reductions to investments restricted for long-term use	(25,750)	-
Principal payments under capital lease obligations	(59,108)	(64,097)
Net cash (used in) provided by financing activities	(315,040)	110,132
Net increase in cash and cash equivalents	21,060,260	637,881
Cash and restricted cash at beginning of year	13,953,932	13,316,051
Cash and restricted cash at end of year	$ 35,014,192	$ 13,953,932
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 329,533	$ 305,123

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 Miller Theater. The venues of the Kimmel Center, the Academy and the Miller Theater are also rented to third-party customers for various types of performances and events.

In March of 2022, the Center renamed the Merriam Theater to the Miller Theatre after receiving a significant capital contribution from Alan. B. Miller.

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

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 3, 2021. Each organization will remain intact as subsidiaries of the parent organization.

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.

	2022	2021
Cash and cash equivalents	$ 23,645,977	$ 10,722,090
Restricted cash	11,368,215	3,231,842
Total cash and cash equivalents and restricted cash	$ 35,014,192	$ 13,953,932

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.

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 $92,040 and $414,142 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 were $5,049,971 and $938,608, respectively, which are included in payroll and advertising expenses on the statement of functional expenses. Capitalized advertising totaled $232,022 and $141,349 at June 30, 2022 and 2021, 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.

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, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	$ 23,645,977	$ 10,722,090
Accounts receivable, net	824,159	813,581
Current portion of contribution receivables	4,753,467	2,332,957
Due from Ticket Philadelphia joint venture	240,062	5,751,015
State and city grants receivable	103,000	85,283
Financial assets available within one year	29,566,665	19,704,926
Less: Donor-imposed restrctions	(23,573,973)	(1,329,322)
Total financial assets available to management for general expenditures within one year	$ 5,992,692	$ 18,375,604

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.

Due to COVID-19, the Center was closed from March 2020 through September 2021. The financial impact was significant. Upon reopening in October 2021, the Center had 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.

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, 2022 and 2021. 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, 2022		
Short-term investments	$ 1,544,153	$ 1,544,153
Domestic equities	32,448,402	32,448,402
International equities	14,299,729	14,299,729
Fixed income funds	5,701,238	5,701,238
REITs	594,454	594,454
Other	812,289	812,289
Total investments in the fair value hierarchy	55,400,265	55,400,265
Private equities, measured at net asset value (a)	-	11,853,371
Total investments at fair value	$ 55,400,265	$ 67,253,636
June 30, 2021		
Cash and 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

(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.

Investment income is stated net of investment expense of $416,706 and $425,464 for the years ended June 30, 2022 and 2021, 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, 2022	June 30, 2021
Performance sponsorships	$ 129,501	$ 850,000
Capital improvements	23,444,472	479,322
Total	$ 23,573,973	$ 1,329,322

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, 2022 and 2021, the spending rate as approved by the Board of Directors was 10.0%, respectively, however only 5.6% and 7% in each year respectively were used for operations. The remainder is invested with the endowment as board designated funds.

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, 2022 and 2021, the original donor restricted endowment funds totaled $61,914,730 and $61,775,643, with their respective current fair values of $57,723,795 and $68,935,966. As of June 30, 2022, the aggregate amount of deficiency, reported in net assets with donor restrictions, endowment funds, was $4,190,935. There was no deficiency to report as of June 30, 2021.

Changes in endowment net assets consisted of the following for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2020	$ -	$ 62,565,997	$ 62,565,997
Net earnings and appreciation, net	177,550	18,668,510	18,846,060
Change in discounting of pledges		6,204	6,204
Endowment draw		(4,403,088)	(4,403,088)
Reclassification of funds	1,323,747	(1,323,747)	-
Contributions		605,266	605,266
Endowment assets, June 30, 2021	1,501,297	76,119,142	77,620,439
Net earnings/loss and depreciation, net	(537,023)	(6,084,860)	(6,621,883)
Reclassification of funds	2,244,065	(2,244,065)	-
Contributions		83,077	83,077
Endowment draw		(3,772,397)	(3,772,397)
Endowment assets, June 30, 2022	$ 3,208,339	$ 64,100,897	$ 67,309,236

Net assets restricted for endowment, which are all donor-restricted, consisted of the following for the years ended June 30, 2022 and 2021:

June 30, 2022	
Investments, controlled by the Center	$ 51,355,361
Investments, held by third parties	15,898,275
Unconditional promises to give, net	55,600
Total funds	$ 67,309,236
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

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. 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 rates ranging from 2.5% to 3.5%. The amounts due consisted of the following at June 30, 2022 and 2021:

	2022 Total	2021 Total
Due in Years Ending June 30,		
2022	$ -	$ 2,790,031
2023	5,210,891	225,969
2024	3,100,000	-
2025	3,100,000	-
2026	3,100,000	-
2027	-	-
Thereafter	100,000	100,000
Total contributions receivable	14,610,891	3,116,000
Less: discount to net present value	(636,294)	(4,395)
Less: allowance for doubtful accounts	(457,074)	(457,074)
Net contributions receivable	13,517,523	2,654,531
Less: current portion, net	(4,753,467)	(2,332,957)
Non-current portion, net	$ 8,764,056	$ 321,574

8. 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 Miller 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 $658,127 and ($545,985) at June 30, 2022 and 2021, respectively. The Center's share of the Venture's net income (loss) was $1,204,112 and ($669,097) for 2022 and 2021, respectively. The net amount due from the Venture totaled $240,062 and $5,751,015 at June 30, 2022 and 2021, respectively.

9. 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 $4,700,555 and $4,471,725 at June 30, 2022 and 2021, respectively. Land rights are being amortized on a straight-line basis over the 73-year remaining life of the lease which commenced when the building was placed into service in December 2001. Amortization expense was $190,692 and $228,830 for the years ended June 30, 2022 and 2021, respectively.

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.

10. Buildings, Improvements and Equipment

Buildings, improvements and equipment consisted of the following:

	June 30,	
	2022	2021
Buildings	$ 244,617,151	$ 242,977,939
Equipment	20,171,309	19,289,622
Leasehold improvements	4,995,849	4,969,390
Construction in process	6,834,211	5,001,089
Total	276,618,520	272,238,040
Less: accumulated depreciation	(141,323,620)	(133,236,771)
Buildings, improvements and equipment, net	$ 135,294,900	$ 139,001,269

Depreciation expense was $8,124,990 and $8,108,827 for the years ended 2022 and 2021, respectively.

11. Lines of Credit and Notes Payable

In December 2020, the Center entered into a $5,000,000 term loan, as part of the Main Street Lending Program. The loan bears interest at 3% above one-month Libor (4.3% at June 30, 2022). 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 $174,132 for the year ended June 30, 2022. The loan is collateralized by substantially all of the Center's assets, excluding the endowment, and is subject to certain financial covenants. This loan was paid off in October 2022.

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% (3.58% at June 30, 2022). 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, 2022 and 2021. Interest expense incurred on the Line of Credit for the years ended June 30, 2022 and 2021, was $- and $106,903, respectively.

In November 2016, the Center entered into a $5,000,000 mortgage payable for the purchase of the Miller 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 $146,795 and $116,882 for the years ended June 30, 2022 and 2021, respectively.

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

For the Years Ending June 30,	
2023	$ 134,978
2024	906,786
2025	911,638
2026	3,752,613
2027	4,379,471
Total	$ 10,085,486

12. 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. The loan accrued interest at a rate of 1.0% per year. The Center followed provisions of ASC 405-20-1, and recorded income for the portion formally forgiven by the SBA during the year. Therefore, the Center has recognized $3,564,436 as income for the year ended June 30, 2022. The remaining outstanding balance was paid off in April 2022.

13. 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,	
	2022	2021
Office equipment	$ 321,927	$ 321,927
Accumulated amortization	(255,498)	(194,178)
Net office equipment	$ 66,429	$ 127,749

At June 30, 2022, 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,		
2023	$	68,400
2024		5,700
Total minimum lease payments		74,100
Less: amounts representing interest at 4.18%		(1,776)
Present value of net minimum lease payments		72,324
Less: current portion		(66,644)
Non-current portion	$	5,680

14. Operating Leases

The Center leased office space used in its operations, which required a monthly payment of $23,222. This lease was to expire in February 2023; however, the Center paid a termination fee to end the lease in February 2022.

Rent expense was $231,952 for June 30, 2022 and 2021, 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.

15. 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 2023 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 Miller 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,		
2023	$	1,931,131
2024		1,960,098
2025		1,989,499
2026		2,019,342
2027		2,049,632
	$	9,949,702

Total rental income was $2,780,039 and $51,800 for 2022 and 2021, 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 August 2025. 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, 2022 and 2021, 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.

16. Related Party

The Center has allocated certain administrative expenses to The Philadelphia Orchestra and Kimmel Center, Inc. ("POKC"), its parent company, that have been determined to benefit POKC and its subsidiaries as a whole. The Center has also allocated income to POKC which will offset the administrative expenses. The expenses consist of a portion of compensation and other administrative expenses related to POKC's executive, finance, human resources, and development departments based on reasonable methodology and expense categories as determined in POKC's Form 1023. The amount allocated for the period from POKC's inception, December 3, 2021, through June 30, 2022, was $1,062,567.

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 $1,090,115 and $68,170 to the multiemployer pension plan for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Center made annual contributions to one pension plan, covering approximately 89% 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, 2022 and 2021 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, 2022, 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 12/31/2021	No	No	June 2024	$ 1,090,115

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	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 12/31/2020	No	No	June 2024	$ 68,170

The Center also participates in a multi-employer health and welfare plan, and the expense was $809,943 and $45,465 for the years ended June 30, 2022 and 2021, 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. Commitments

As of June 30, 2022, the Center accrued severance payouts for three former employees totaling approximately $1,700,000. This accrual is included with accounts payable and accrued expenses in the Statement of Financial Position at June 30, 2022.

20. 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 $167,952 and $91,202 for 2022 and 2021, respectively.

21. 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.

22. Major Contributors

Approximately 83% of the Center's total contributions were provided by two donors in the fiscal year ended June 30, 2022. There were no contributions in excess of 10% in the fiscal year ended June 30, 2021.

23. Shuttered Venue Operators Grant

In July 2021, the Center accepted a $10,000,000 grant from the U.S Small Business Administration under the "Shuttered Venue Operators" program. This grant allowed the grantee to spend funds on allowable costs that were incurred between March 1, 2020, through December 31, 2021. This grant revenue is included in contributions, with donor restrictions, in the Statement of Activities for the year ended June 30, 2022.

24. Related Party Transactions

Members of the Center's Board of Directors contributed to the annual fund of the Center totaling $236,392 and $369,012 in 2022 and 2021, respectively.

25. Subsequent Events

The Center has evaluated subsequent events through March 2, 2023, the date these financial statements were available for issuance.

In January 2023, Encore Series Inc. ("ESI"), d/b/a Philly Pops, was suspended as a resident company due to continued non-payment of rental and ticket surcharge fees. The account receivable from ESI was $434,000 as of June 30, 2022 and is fully reserved.

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