Kimmel Center, Inc.

Financial Statements and
Compliance Reports
June 30, 2023 and 2022

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Kimmel Center, Inc.

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June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2024, on our consideration of Kimmel Center, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kimmel Center, Inc.’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kimmel Center, Inc.’s internal control over financial reporting and compliance.

Mazars USA LLP

February 13, 2024

Kimmel Center, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022 (Restated)
Assets		
Current assets		
Cash and cash equivalents	$ 9,117,756	$ 23,645,977
Restricted cash	13,081,546	11,368,215
Accounts receivable, net of allowance of $590,550 for 2023 and $703,635 for 2022	3,460,467	824,159
Current portion of contributions receivable, net	6,652,754	4,697,867
Current portion of unconditional promises to give to endowment, net	35,600	55,600
Due from Ticket Philadelphia joint venture	5,442,533	1,593,618
State and city grants receivable	153,397	103,000
Prepaid expenses and other current assets	754,397	550,533
Total current assets	38,698,450	42,838,969
Property, buildings and equipment		
Land and land rights, net	18,213,630	18,442,460
Buildings, improvements and equipment, net	130,344,925	135,294,900
Total property, buildings and equipment	148,558,555	153,737,360
Noncurrent endowment funds		
Investments, controlled by the Center	54,342,998	51,355,361
Investments, held by third parties	15,804,169	15,898,275
Total noncurrent endowment funds	70,147,167	67,253,636
Other assets		
Non-current portion of contributions receivable, net	6,272,679	8,764,056
Investment in Ticket Philadelphia joint venture	1,528,127	658,127
Investment in management service companies	205,225	170,433
Charitable remainder trusts	185,195	180,352
Total other assets	8,191,226	9,772,968
Total assets	$ 265,595,398	$ 273,602,933

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

Kimmel Center, Inc.

Statements of Financial Position (Cont'd)
June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		(Restated)
Current liabilities		
Current portion of notes payable	$ 126,633	$ 134,978
Accounts payable and accrued expenses	7,386,118	6,956,319
Contract liabilities	2,532,420	2,608,348
Advance ticket sales	14,573,238	11,709,859
Total current liabilities	24,618,409	21,409,504
Notes payable	4,665,032	9,950,508
Other liabilities	113,666	108,823
Total liabilities	29,397,107	31,468,835
Commitments and contingencies		
Net assets		
Without donor restrictions:		
Undesignated	(6,745,672)	(2,351,493)
Endowment funds - Board designated	3,132,348	2,945,691
Net investment in property, building and equipment	148,431,922	153,602,382
	144,818,598	154,196,580
With donor restrictions:		
Time and purpose restrictions	24,329,274	23,573,973
Endowment funds	67,050,419	64,363,545
	91,379,693	87,937,518
Total net assets	236,198,291	242,134,098
Total liabilities and net assets	$ 265,595,398	$ 273,602,933

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

Kimmel Center, Inc.

Statements of Activities
Year Ended June 30, 2023 with Summarized Financial Information for the Year Ended June 30, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Restated Total
Revenue, gains and other support				
Performances and events	$ 43,715,152	$ -	$ 43,715,152	$ 46,202,319
Contributions, sponsorships and memberships, net of discounts and reserves	1,930,569	4,859,803	6,790,372	37,550,118
Investment income (loss), net	733,301	6,310,550	7,043,851	(6,536,027)
Gain from investment in joint venture	870,000	-	870,000	1,204,112
Other	1,612,002	-	1,612,002	1,091,583
CARES Act loan forgiveness, net	-	-	-	3,564,436
Net assets released from restrictions				
Endowment draws	3,577,715	(3,577,715)	-	-
Satisfaction of time and purpose restrictions	4,150,463	(4,150,463)	-	-
Total revenue, gains and other support	56,589,202	3,442,175	60,031,377	83,076,541
Expenses				
Program services				
Performances and events	33,693,312	-	33,693,312	36,221,762
Event facilities	23,357,388	-	23,357,388	22,825,004
Education and outreach	1,209,556	-	1,209,556	1,005,465
	58,260,256	-	58,260,256	60,052,231
Support services				
Marketing and communications	2,291,037	-	2,291,037	1,867,974
Management, administration and general	4,299,309	-	4,299,309	6,758,105
Fundraising	1,116,582	-	1,116,582	1,665,537
	7,706,928	-	7,706,928	10,291,616
Total expenses	65,967,184	-	65,967,184	70,343,847
Transfer to POKC - adminsitrative expenses of susidiary	1,179,939	-	1,179,939	1,062,567
Transfer from POKC - income allocation to cover expenses	(1,179,939)	-	(1,179,939)	(1,062,567)
Change in net assets	(9,377,982)	3,442,175	(5,935,807)	12,732,694
Net assets at beginning of year	154,196,580	87,937,518	242,134,098	229,401,404
Net assets at end of year	$ 144,818,598	$ 91,379,693	$ 236,198,291	$ 242,134,098

Kimmel Center, Inc.

Statements of Activities
Year Ended June 30, 2022

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
Revenue, gains and other support			
Performances and events	$ 46,202,319	$ -	$ 46,202,319
Contributions, sponsorships and memberships, net of discounts and reserves	2,833,225	34,716,893	37,550,118
Investment loss, net	(624,069)	(5,911,958)	(6,536,027)
Gain from investment in joint venture	1,204,112	-	1,204,112
Other	1,091,583	-	1,091,583
CARES Act loan forgiveness, net	3,564,436	-	3,564,436
Net assets released from restrictions			
Endowment draws	3,509,749	(3,509,749)	-
Reclassification of endowment spend	2,244,065	(2,244,065)	-
Satisfaction of sponsorship and capital restrictions	12,562,067	(12,562,067)	-
Total revenue, gains and other support	72,587,487	10,489,054	83,076,541
Expenses			
Program services			
Performances and events	36,221,762	-	36,221,762
Event facilities	22,825,004	-	22,825,004
Education and outreach	1,005,465	-	1,005,465
	60,052,231	-	60,052,231
Support services			
Marketing and communications	1,867,974	-	1,867,974
Management, administration and general	6,758,105	-	6,758,105
Fundraising	1,665,537	-	1,665,537
	10,291,616	-	10,291,616
Total expenses	70,343,847	-	70,343,847
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	2,243,640	10,489,054	12,732,694
Net assets at beginning of year - as restated	151,952,940	77,448,464	229,401,404
Net assets at end of year	$ 154,196,580	$ 87,937,518	$ 242,134,098

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

Kimmel Center, Inc.

Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2023						
	Program Services			Supporting Services			
	Performances and Events	Event Facilities	Education and Outreach	Marketing and Communication	Managament, Administration and General	Fundraising	Total
Payroll	$ 10,690,373	$ 6,082,463	$ 683,169	$ 1,819,905	$ 902,522	$ 797,497	$ 20,975,929
Advertising expenses	3,884,613	123,492	-	-	-	16,133	4,024,238
Bad debts	97,500	-	-	-	-	-	97,500
Depreciation and amortization	-	9,060,867	-	-	62,213	-	9,123,080
Event expenses	12,096,020	-	398,499	17,234	-	201,216	12,712,969
Interest	-	295,031	-	-	-	-	295,031
Management fee	-	-	-	-	1,015,441	-	1,015,441
Maintenance and repairs	-	3,172,343	-	-	-	-	3,172,343
Miscellaneous expenses	62,029	1,165,130	11,121	111,411	143,795	3,269	1,496,755
Office expenses	662,350	126,537	116,767	278,946	1,423,776	64,451	2,672,827
Professional and service fees	5,317,478	1,942,183	-	63,541	751,562	34,016	8,108,780
Rent and utilities	882,949	1,389,342	-	-	-	-	2,272,291
	$ 33,693,312	$ 23,357,388	$ 1,209,556	$ 2,291,037	$ 4,299,309	$1,116,582	$ 65,967,184

	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

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (5,935,807)	$ 12,732,694
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	9,123,080	8,315,682
Bad debt expense	97,500	-
Forgiveness of debt	-	(3,564,436)
Change in discounts on contributions and unconditional promises to give	51,287	631,899
Contributions designated for endowment	-	25,750
Income from investment in joint venture	(870,000)	(1,204,112)
Net unrealized and realized (gains) losses on investments	(6,310,550)	6,448,981
(Gain) loss on other investments	(34,792)	7,623
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(2,733,808)	(10,578)
State and city grants receivable	(50,397)	(17,717)
Contributions receivable	485,203	(11,659,980)
Unconditional promises to give, net of discounts	20,000	165,088
Due to/from Ticket Philadelphia joint venture	(3,848,915)	5,510,953
Prepaid expenses and other current assets	(203,864)	(329,548)
Accounts payable and accrued expenses	429,799	3,852,425
Advanced ticket sales	2,863,379	1,192,599
Contract liabilities	(75,928)	(97,782)
Net cash (used in) provided by operating activities	(6,993,813)	21,999,541
Cash flows from investing activities		
Purchases of building, equipment and construction in process	(3,944,275)	(4,380,483)
Purchase of endowment fund investments		(75,263)
Distribution from endowment fund investments	(160,696)	
Investment sales to fund endowment draw	3,577,715	3,772,397
Net cash used in investing activities	(527,256)	(683,349)

Statements of Cash Flows (Cont'd)
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from financing activities		
Payments on notes payable	(5,293,821)	(230,182)
Reductions to investments restricted for long-term use	-	(25,750)
Net cash used in financing activities	(5,293,821)	(255,932)
Net (decrease) increase in cash and cash equivalents	(12,814,890)	21,060,260
Cash and restricted cash at beginning of year	35,014,192	13,953,932
Cash and restricted cash at end of year	$ 22,199,302	$ 35,014,192
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 295,031	$ 329,533

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.

	2023	2022
Cash and cash equivalents	$ 9,117,756	$ 23,645,977
Restricted cash	13,081,546	11,368,215
Total cash and cash equivalents and restricted cash	$ 22,199,302	$ 35,014,192

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 for the year ended June 30, 2022. There were no donated services for the year ended June 30, 2023.

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, 2023 and 2022 were $6,333,671 and $5,049,971, respectively, which are included in payroll and advertising expenses on the statement of functional expenses. Capitalized advertising totaled $218,406 and $232,022 at June 30, 2023 and 2022, 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.

Recent Accounting Pronouncements
In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842), which supersedes FASB ASC 840, Leases. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 is effective for the Company for reporting periods beginning after December 15, 2021. The Company adopted ASU 2016-02 and its amendments (collectively, "ASC 842") effective July 1, 2022. The adoption of ASC 842 did not have a material impact on the Company's lessor accounting.

Reclassification
Certain prior year balances have been reclassified to conform to current year presentation. Prior year net income has not been affected by such reclassification.

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, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	$ 9,117,756	$ 23,645,977
Restricted cash	13,081,546	11,368,215
Accounts receivable, net	3,460,467	824,159
Current portion of contribution receivables	6,688,354	4,753,467
Due from Ticket Philadelphia joint venture	5,442,533	1,593,618
State and city grants receivable	153,397	103,000
Financial assets available within one year	37,944,053	42,288,436
Less: Donor-imposed restrctions	(24,329,274)	(23,573,973)
Total financial assets available to management for general expenditures within one year	$ 13,614,779	$ 18,714,463

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.

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, 2023 and 2022. 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, 2023		
Short-term investments	$ 1,823,145	$ 1,823,145
Domestic equities	34,735,670	34,735,670
International equities	14,526,840	14,526,840
Fixed income funds	6,213,860	6,213,860
REITs	521,780	521,780
Other	845,593	845,593
Total investments in the fair value hierarchy	58,666,888	58,666,888
Private equities, measured at net asset value (a)	-	11,480,279
Total investments at fair value	$ 58,666,888	$ 70,147,167
June 30, 2022		
Cash and 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

(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 $299,204 and $416,706 for the years ended June 30, 2023 and 2022, 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,	
	2023	2022
Performance sponsorships	$ 530,000	$ 129,501
Capital improvements	23,799,274	23,444,472
Total	$ 24,329,274	$ 23,573,973

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 year ended June 30, 2023, the spending rate approved by the Board of Directors was 5.6%. For the year ended June 30, 2022, the spending rate as approved by the Board of Directors was 10.0%, however only 5.6% was 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, 2023 and 2022, the original donor restricted endowment fund totaled $61,914,730, with their respective current fair values of $60,379,441 and $57,723,795. As of June 30, 2023 and 2022, the aggregate amount of deficiencies, reported in net assets with donor restrictions, endowment funds, was $1,535,289 and $4,190,935.

Changes in endowment net assets consisted of the following for the years ended June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
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)
Endowment draw	(262,648)	(3,509,749)	(3,772,397)
Reclassification of funds	2,244,065	(2,244,065)	-
Contributions		83,077	83,077
Endowment assets, June 30, 2022	2,945,691	64,363,545	67,309,236
Net earnings and appreciation, net	420,803	6,263,253	6,684,056
Contributions		1,336	1,336
Endowment draw	(234,146)	(3,577,715)	(3,811,861)
Endowment assets, June 30, 2023	$ 3,132,348	$ 67,050,419	$ 70,182,767

Net assets restricted for endowment, which are all donor-restricted, consisted of the following for the years ended June 30, 2023 and 2022:

June 30, 2023	
Investments, controlled by the Center	$ 54,342,998
Investments, held by third parties	15,804,169
Unconditional promises to give, net	35,600
Total funds	$ 70,182,767
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

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, 2023 and 2022:

	2023 Total	2022 Total
Due in Years Ending June 30,		
2023	$ -	$ 5,210,891
2024	7,215,686	3,100,000
2025	3,605,000	3,100,000
2026	3,355,000	3,100,000
2027	-	-
2028	-	100,000
Total contributions receivable	14,175,686	14,610,891
Less: discount to net present value	(687,579)	(636,294)
Less: allowance for doubtful accounts	(527,074)	(457,074)
Net contributions receivable	12,961,033	13,517,523
Less: current portion, net	(6,688,354)	(4,753,467)
Non-current portion, net	$ 6,272,679	$ 8,764,056

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 $1,528,127 and $658,127 at June 30, 2023 and 2022, respectively. The Center's share of the Venture's net income was $870,000 and $1,204,112 for 2023 and 2022, respectively. The net amount due from(to) the Venture totaled $5,442,533 and $1,593,618 at June 30, 2023 and 2022, 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 $4,929,385 and $4,700,555 at June 30, 2023 and 2022, respectively. Land rights are being amortized on a straight-line basis over the 72-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, 2023 and 2022.

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,	
	2023	2022
Buildings	$ 249,174,318	$ 244,617,151
Equipment	21,910,053	20,171,309
Leasehold improvements	5,035,582	4,995,849
Construction in process	4,442,843	6,834,211
Total	280,562,796	276,618,520
Less: accumulated depreciation	(150,217,871)	(141,323,620)
Buildings, improvements and equipment, net	$ 130,344,925	$ 135,294,900

Depreciation expense was $8,894,250 and $8,124,990 for the years ended 2023 and 2022, 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 (8.3% at June 30, 2023). Interest accrued monthly and was capitalized as additional principal. Interest expense on this loan was $108,522 and $174,132 for the years ended June 30, 2023 and 2022, respectively. This loan was paid off in October 2022.

The Center had a $5,000,000 revolving loan agreement ("Line of Credit") for working capital purposes which expired on January 31, 2023. The interest rate on the Line of Credit was One-Month LIBOR plus 2.25%. The loan was 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, 2023 and 2022. There was no interest expense incurred on the Line of Credit for the each of the years ended June 30, 2023 and 2022.

In September 2023, the Center obtained a new $5,000,000 revolving loan agreement ("Line of Credit") for working capital purposes which is a pay-on-demand Note. The interest rate on the new Line of Credit is the current SOFR rate plus 2.25%. The loan is collateralized by substantially all of the Center's assets, excluding real estate and the endowment.

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% were 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 $186,509 and $146,795 for the years ended June 30, 2023 and 2022, respectively.

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

For the Years Ending June 30,	
2024	$ 126,633
2025	138,199
2026	143,229
2027	4,383,604
Total	$ 4,791,665

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, 2022. 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. 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 the year ended June 30, 2022.

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 through 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,	
2025	$ 1,960,098
2026	1,989,499
2027	2,019,342
2028	2,049,632
	$ 8,018,571

Total rental income was $3,280,551 and $2,780,039 for 2023 and 2022, 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 $7,123 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, 2023 and 2022, 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 amounts allocated for the year ended June 30, 2023 and for the period from POKC's inception, December 3, 2021, through June 30, 2022 was $1,179,939 and $1,062,567, respectively.

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 $1,347,090 and $1,090,115 to the multiemployer pension plan for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the Center made annual contributions to one pension plan, covering approximately 56% and 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, 2023 and 2022 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, 2023, 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 12/31/2022	No	No	June 2024	$ 1,347,090

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

The Center also participates in a multi-employer health and welfare plan, and the expense was $993,333 and $809,943 for the years ended June 30, 2023 and 2022, 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 on June 30, 2022. All severances were paid out during the year ended June 30, 2023.

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 $173,568 and $167,952 for 2023 and 2022, 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 15% and 83% of the Center's total contributions were provided by one and two donors in the fiscal years ended June 30, 2023 and 2022.

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 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 $273,366 and $236,392 in 2023 and 2022, respectively.

24. Prior-Period Adjustment

The Center's net assets with donor restrictions and net assets without donor restrictions at June 30, 2021 have been retroactively restated to correct the recording of the Board restricted endowment net assets which were previously grouped with donor restricted endowment net assets. Accordingly, net assets of $1,501,297 have been reclassified from net assets with donor restrictions to net assets without donor restrictions as of June 30, 2021. In addition, in fiscal year June 30, 2022, net investment activity of $1,444,394, related to this Board designated endowment, was reclassified out of revenue with donor restrictions to revenue without donor restrictions.

25. Subsequent Events

The Center evaluated its June 30, 2023, financial statements for subsequent events through February 13, 2024, the date the financial statements were available to be issued. In January 2024, KCI rolled out the Ensemble Arts Philly brand to improve clarity to the audience experience. This new brand represents a wide variety of signature genres including Broadway, comedy, jazz, dance and family across the three venues: The Kimmel Center for the performing Arts, the Academy for Music and the Miller Theater. The Center has registered a fictious name which is "Ensemble Arts Philly". Except as disclosed within, the Center is not aware of any other subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

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Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Kimmel Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kimmel Center, Inc. (the “Center”), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2024.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Center’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Center’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mazars USA LLP

February 13, 2024

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance

To the Board of Directors
Kimmel Center, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Kimmel Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kimmel Center, Inc.'s major federal programs for the year ended June 30, 2023. Kimmel Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kimmel Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kimmel Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kimmel Center, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kimmel Center, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kimmel Center, Inc.'s compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would

influence the judgment made by a reasonable user of the report on compliance about Kimmel Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Kimmel Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kimmel Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kimmel Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mazars USA LLP

February 13, 2024

Kimmel Center, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Entity Identifying Number	Amounts passed to subrecepients	Total Federal Expenditures
Department of Homeland Security - FEMA	97.036			
Pass-through Pennsylvania Emergency Management Agency - Disaster Grant	97.036	PA-03PA-4506-PW01100	$ -	$ 743,974
National Endowment for the Arts				
Arts Grant	45.024		$ -	20,000
Total Expenditures of Federal Awards				$ 763,974

Kimmel Center, Inc.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note 1 – Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Kimmel Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic consolidating financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Federal Award Allocations

The awards administered by the Small Business Administration programs consist of federal agencies and have been allocated based on percentages provided by the administrator, which reflect amounts funded by the respective agency for the program and only the federal allocated portion has been reflected on the Schedule of Expenditures of Federal Awards.

Note 4 – Indirect Cost Rate

Kimmel Center, Inc. has elected to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Kimmel Center, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

A. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   a. Material weakness(es) identified? _______ Yes __X__ No
   b. Significant deficiency(ies) identified? _______ Yes __X__ None reported

3. Noncompliance material to financial statements noted? _______ Yes __X__ No

Federal Awards

4. Internal control over major programs:

   a. Material weakness(es) identified? _______ Yes __X__ No
   b. Significant deficiency(ies) identified? _______ Yes __X__ None reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _______ Yes __X__ No

7. The programs tested as major programs include:

Name of Federal Program or Cluster	Assistance Listing Number
Disaster Grant	97.036

8. The threshold for distinguishing between types A and B programs was $750,000.

9. Auditee qualified as low-risk auditee _______ Yes __X__ No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT:

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

NONE

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

A. PRIOR YEAR FINANCIAL STATEMENT FINDING:

NONE

B. PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

NONE

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