Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Philadelphia Orchestra and Kimmel Center, Inc. (“POKC”)

August 31, 2023

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Philadelphia Orchestra and Kimmel Center, Inc. (“POKC”)

Opinion

We have audited the consolidated financial statements of Philadelphia Orchestra Association and Kimmel Center, Inc. (“POKC” or the “Entity”), which comprise the consolidated statement of financial position as of August 31, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (“US GAAS”). 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 the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

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

Grant Thornton

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Entity'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity'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.

Grant Thornton LLP

Philadelphia, Pennsylvania
February 8, 2024

The Philadelphia Orchestra and Kimmel Center, Inc. (“POKC”)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

August 31, 2023
(Dollars in thousands)

ASSETS		
Cash and cash equivalents	$	36,932
Trade accounts receivable, net		17,258
Prepaid expenses and other assets		4,641
Pledges receivable, net		33,522
Notes receivable		380
Investments		265,695
Beneficial interests in trusts		13,205
Right-of-use asset, net		7,467
Property and equipment, net		175,606
Total assets	$	554,706
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$	11,828
Other liabilities		137
Deferred revenue		22,863
Notes payable		4,771
Annuities payable		1,187
Lease liability		7,623
Accrued postretirement benefit obligation		7,254
Total liabilities		55,663
Net assets		
Without donor restrictions		178,504
With donor restrictions		320,539
Total net assets		499,043
Total liabilities and net assets	$	554,706

The accompanying notes are an integral part of this consolidated financial statement.

The Philadelphia Orchestra and Kimmel Center, Inc. ("POKC")

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended August 31, 2023
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Performances, events, touring and media	$ 65,431	$ -	$ 65,431
Contributions, sponsorships and events	18,507	12,028	30,535
Spending policy draw, designated for current operations	16,891	-	16,891
Income from beneficial interests in trusts	509	-	509
Equity gain in joint venture	1,074	-	1,074
Other revenues	5,110	-	5,110
Gifts in-kind	159	-	159
Net assets released from restrictions			
Satisfaction of program restrictions	6,978	(6,978)	-
Satisfaction of time restrictions	8,663	(8,663)	-
Total revenue and support	123,322	(3,613)	119,709
Expenses			
Program services			
Performances and events	81,763	-	81,763
Event facilities	14,880	-	14,880
Total program services	96,643	-	96,643
Management and general			
Management, administration and general	21,772	-	21,772
Fundraising	4,125	-	4,125
Depreciation	12,305	-	12,305
Total management and general	38,202	-	38,202
Total expenses	134,845	-	134,845
Transfer to POKC - administrative expenses of subsidiary (see Note O)	4,391	-	4,391
Transfer from POKC - income allocation to cover expenses (see Note O)	(4,391)	-	(4,391)
Change in net assets from operating activities	(11,523)	(3,613)	(15,136)
Nonoperating activity			
Endowment contributions	-	10,291	10,291
Investment return, net of spending policy	417	10,253	10,670
Endowment campaign expenses	-	(502)	(502)
Other changes in postretirement benefit obligation	222	-	222
Total nonoperating revenue	639	20,042	20,681
CHANGE IN NET ASSETS	(10,884)	16,429	5,545
Net assets, beginning	189,388	304,110	493,498
Net assets, ending	$ 178,504	$ 320,539	$ 499,043

The accompanying notes are an integral part of this consolidated financial statement.

The Philadelphia Orchestra and Kimmel Center, Inc. ("POKC")

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended August 31, 2023
(Dollars in thousands)

Cash flows from operating activities:	
Change in net assets	$ 5,545
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	12,306
Provision for bad debt expense	73
Change in investment in joint venture	(1,074)
Endowment contributions received	(10,291)
Net realized and unrealized gain on investments	(18,557)
Change in beneficial interests in trusts	(433)
Other changes in postretirement benefit obligation	222
Changes in assets and liabilities:	
Trade accounts receivable	(9,219)
Prepaid expenses and other assets	(134)
Pledges receivable	(2,125)
Right-of-use asset, net	(7,467)
Accounts payable, accrued expenses, and other liabilities	1,869
Deferred revenue	5,887
Annuities payable	(29)
Lease liability	7,623
Accrued postretirement benefit obligation	(628)
Net cash used in operating activities	(16,432)
Cash flows from investing activities:	
Purchases of investments	(27,690)
Proceeds from sales of investments	29,239
Purchase of property, plant and equipment	(4,966)
Repayments of employee loans	120
Net cash used in investing activities	(3,297)
Cash flows from financing activities:	
Endowment contributions received	10,291
Payments on notes payable	(5,288)
Net cash provided by financing activities	5,003
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,726)
Cash and cash equivalents, beginning	51,658
Cash and cash equivalents, ending	$ 36,932
Supplemental cash flow data:	
Noncash investing activities:	
Interest paid	$ 255
Change in accrued construction expenses	$ (21)

The accompanying notes are an integral part of this consolidated financial statement.

NOTE A - NATURE OF OPERATIONS

Nature of Organization and Description of Merger

The Philadelphia Orchestra Association (“POA”) and Kimmel Center, Inc. (“KCI”), after receiving a No Objection Letter from the Pennsylvania Attorney General dated October 15, 2021, entered into a Partnership and Affiliation Agreement on October 21, 2021, that enables POA and KCI to operate in a strategically aligned and coordinated manner to create a more powerful and expansive artistic footprint by establishing a new 501(c)(3) organization: The Philadelphia Orchestra and Kimmel Center, Inc. (“POKC”). POKC serves as the common controlling member/parent of POA and KCI, with full representation from the original POA and KCI boards. The transaction was closed on December 2, 2021, and the associated filings were made on December 3, 2021.

POA and KCI will remain separate legal entities each operating as tax-exempt organizations and shall continue to operate in accordance with and to further their respective tax-exempt missions and purposes.

POA is one of the world’s preeminent orchestras. It shares the transformative power of music with the widest possible audience, and creates joy, connection, and excitement through music in the Philadelphia region, across the country and around the world. Through innovative programming, robust educational initiatives and commitment to the community, the ensemble is creating an expansive future for classical music and furthering the place of the arts in an open and democratic society. POA’s wholly owned subordinate entity, The Academy of Music of Philadelphia, Inc. (the “Academy”) was organized to operate, manage, and maintain the Academy of Music, a concert hall. POA (collectively, the “Association”) has contracted with KCI since 2001 to manage the operations of the Academy.

KCI 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 POA and several other Resident Companies. In addition, KCI operates the Academy of Music, which is home to Opera Philadelphia (“Opera”), 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 addition, POA and KCI invested n a nonprofit joint venture which provides ticket sales and servicing operations for events held in the Academy of Music, Kimmel Center, and other venues (“Ticket Philadelphia”). This venture is accounted for as an equity method investment.

These consolidated financial statements include the accounts of POA and its wholly owned subordinate entity, the Academy, as well as KCI (collectively, the “POKC”). All significant intercompany balances and transactions have been eliminated.

Definition of Operating Activities

The operations of POKC, including all concerts, recording, and touring activities, are presented in the operating activities section of the consolidated statement of activities. Also included with operating activities are all POKC annual fundraising activities and investment income designated for operations. Included in nonoperating revenue and expense are endowment contributions, investment return, net of spending policy draw and changes in postretirement benefit obligation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of POKC have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP requires that net assets and revenues, gains, expenses, and losses be classified based on the existence or absence of donor-imposed restrictions as follows:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. $7,904,000 of POKC's net assets without donor restrictions as of August 31, 2023 have been designated by the Board of Directors to function as endowment.

- Net assets with donor restrictions - Net assets whose use by POKC is subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that can be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity or are permanently maintained in the control of third-party trustees. Net assets in this category are primarily comprised of endowment gifts and accumulated endowment gains.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as releases between the applicable classes of net assets.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. POKC maintains cash accounts which, at times, may exceed federally insured limits and has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

Investments

POKC records its investments at fair value. Debt securities, equity securities and mutual funds are valued at quoted market prices. The estimated fair value of alternative investments for which quoted market prices are not available is based upon net asset value ("NAV") as a practical expedient, which is provided by external investment managers as of August 31, 2023. Because such investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Gains and losses are based on the trade date for investments.

The principal objective of POKC's alternative investment selection is to enhance the risk-adjusted returns of its total asset portfolio. POKC manages this investment exposure through a process of careful selection of experienced external fund managers, detailed initial due diligence, continuing periodic diligence and monitoring, limitation of exposure to any investment strategy or manager, and the employment of outside experts. At August 31, 2023, the alternative investment exposure to any product and/or manager was approximately 7% of total long-term investments.

Fair Value Measurements

POKC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 hierarchy are described below:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Financial assets and liabilities whose values are based on one or more of the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. POKC's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that POKC has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities.

Notes Receivable

During the year ended August 31, 2018, POA provided a housing relocation loan to an officer in the amount of $250,000. The loan is secured, interest-bearing at 2.69%, and is repayable over five years. As of year ended August 31, 2023, the outstanding balance on the loan was $80,000. During the year ended August 31, 2022, POA provided a housing relocation loan to the music director in the amount of $400,000. The loan is secured, interest-bearing at 1.26%, and is repayable over four years. As of August 31, 2023, the outstanding balance on the loan was $300,000.

Property and Equipment, Net

Property and equipment, net is recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Depreciation is recorded as an expense using the straight-line method over the estimated useful lives of the respective assets. The useful lives are as follows:

Office condominium, building and building improvements	30 - 40 years
Equipment and other	5 - 10 years
Office equipment	3 - 10 years

The cost and accumulated depreciation of property sold or retired is removed from the related asset, and accumulated depreciation amounts, and any resulting gain or loss, is recorded in the period of disposal.

Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the consolidated statement of activities.

POA's fine instruments have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation. Fine instruments are not depreciated. The aggregate carrying value of such assets for the year ended August 31, 2023 was approximately $295,000.

KCI's land and land rights are 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.

KCI's pieces of fine art are recorded at cost and not depreciated and are included in property and equipment, net in the consolidated statement of financial position.

Annuities Payable

Liabilities related to charitable gift annuities received by POA are recorded at the present value of the future interest payments based on the donor's life expectancy. Amounts donated in excess of the liability are recorded as restricted donations in the consolidated statement of activities. The present value of the annuities, discounted at the respective rate under Internal Revenue Code ("IRC") Section 7520(a), is calculated at the time of the donation.

Revenue Recognition

<u>Trade Accounts Receivable</u>

Trade accounts receivable are reported at their net realizable value and consist of performance-related receivables, royalties, and other amounts.

<u>Allowance for Doubtful Accounts</u>

The allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior collection history and type of receivable. POKC writes off receivables when they become uncollectible, and payments subsequently received on such receivables, if any, are credited to the allowance for doubtful accounts.

<u>Pledges Receivable and Contribution Revenue</u>

Contributions received, including unconditional promises to give, are recognized as revenues when the donor's commitment has been received. Unconditional promises to give are recognized at the established present value of the future cash flows, net of allowances. Contributions, which are received subject to restrictions imposed by donors, are reported as net assets with donor restrictions in the accompanying consolidated financial statements. Contributions for which the restrictions expire with the passage of time or occurrence of specific events are also classified as net assets with donor restrictions. When the restriction expires with the passage of time or upon occurrence of the specified event, the net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted funds expended in the fiscal year in which received are recorded as net assets without donor restrictions. Conditional promises are recorded when donor conditions are substantially met.

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 $160,000 for the year ended August 31, 2023.

Performance and Other Earned Revenue

Revenues from performances, concerts, recordings, touring and campus rental activities are recognized as earned using the accrual method of accounting. Revenue from sales of subscriptions and single tickets for the upcoming concert season is deferred until the performance of the related concerts.

POA recognizes revenue from subscription and ticket sales for both live and digital formats for its main classical series, education series and special concerts performed in Philadelphia. In addition, POA recognizes revenue for fees it receives for services performed at locations regionally and through domestic and foreign touring and recognizes revenue for media income from royalties and other recording activities.

KCI recognizes revenue from 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 liability on the consolidated statement of financial position.

In the following table, performance and other earned revenue is disaggregated by major type for the year ended August 31, 2023 (in thousands):

Campus services	$ 12,125
Broadway performances	28,840
Residencies and touring	5,476
Orchestra concerts	9,236
Kimmel Center presents	5,978
Media and other	5,393
Ticketing fees	3,493
Total earned revenue	$ 70,541

Tax Status

Under provisions of the IRC Section 501(c)(3), and the applicable income tax regulations of Pennsylvania, POKC is exempt from taxes on income other than unrelated business income.

POKC recognizes or derecognizes a tax position based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. POKC does not believe its consolidated financial statements include any material uncertain tax positions.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and utilize assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of allowances for doubtful trade accounts, pledges and notes receivable, discounts on pledges receivable and annuities, alternative investment values, useful lives of fixed assets, assumptions related to the accrued benefit obligation, assumptions related to the annuities payable, functional allocation of expenses, and the reported fair values of certain of POKC's assets and liabilities. Actual results could differ from those estimates.

Allocation of Expenses

Certain categories of expenses are attributed to more than one program or supporting function; therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. Certain operating expenses are allocated based on estimates of time and effort.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. The new standard, as amended, was effective for fiscal years beginning after December 15, 2021, and established a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities.

POKC adopted the new standard effective September 1, 2022 and elected the option to apply the transition requirements in the standard. The new standard provides several optional practical expedients in transition. POKC has elected the "package of practical expedients," which permits entities to not reassess conclusions prior to the implementation of the new standard about lease identification, lease classification, and initial direct costs.

The most significant effects on the consolidated financial statements relate to: (1) the recognition of new ROU assets and lease liabilities on the statement of financial position for existing operating leases; and (2) providing significant new disclosures about leasing activities. The impact on the September 1, 2022, statement of financial position is the recognition of ROU assets and corresponding lease liability of $7,623,000 based on the present value of the remaining minimum rental payments for existing operating leases. The new standard also provides practical expedients for an entity's ongoing accounting. POKC has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, POKC will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases.

Recently Issued Accounting Pronouncements

ASU 2016-13, *Financial Instruments - Credit Losses*, will be effective for POKC for the year ending August 31, 2024. This ASU addresses measurement of credit losses on financial instruments and replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to inform credit loss estimates. POKC is currently evaluating the ASU, but it is not expected to have a significant impact on POKC's consolidated financial statements.

NOTE C - PLEDGES RECEIVABLE

POKC 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 2.50% - 5.46%.

Pledges receivable at August 31, 2023, were expected to be collected as follows (in thousands):

Due within	
One year	$ 17,197
Two to five years	18,532
Total pledges receivable	35,729
Less: allowance for doubtful accounts	(589)
Less: discount to net present value	(1,618)
Pledges receivable, net	$ 33,522

NOTE D - INVESTMENTS

At August 31, 2023, the fair value of investments was as follows (in thousands):

Cash and cash equivalents	$ 2,848
Mutual funds - fixed income	35,797
Mutual funds - equities	135,875
Limited partnerships - real estate	197
Limited partnerships - global equity	72,361
Real Estate Investment Trusts (REITs)	533
Private equity	18,084
Total fair value of investments	$ 265,695

Investment income is stated net of investment expenses of $458,000 for the year ended August 31, 2023.

Certain of POKC's investments are valued using NAV (or its equivalent unit) as a practical expedient of fair value. This applies to investments (i) which do not have a readily determinable fair value, and (ii) the financial statements of which were prepared by the respective investment managers in a manner consistent with the measurement principles applied in the preparation of the consolidated financial statements of the investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair value hierarchy.

The following table presents information about POKC's assets measured at fair value on a recurring basis, as described in Note B, as of August 31, 2023, and indicate the fair value hierarchy of the valuation techniques utilized by POKC to determine such fair value (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV	Total
Investments					
Cash and cash equivalents	$ 2,848	$ -	$ -	$ -	$ 2,848
Mutual funds - fixed income	35,797	-	-	-	35,797
Mutual funds - equities	135,875	-	-	-	135,875
Limited partnerships - real estate	-	-	-	197	197
Limited partnerships - global equity	-	-	-	72,361	72,361
Real Estate Investment Trusts (REITs)	533	-	-	-	533
Private equity	-	-	-	18,084	18,084
Total investments					
Beneficial interests in trusts	-	-	13,205	-	13,205
Total assets	$ 175,053	$ -	$ 13,205	$ 90,642	$ 278,900

In reference to the investments and other financial instruments held by POKC, the following provides a brief description of the types of financial instruments, the methodology for estimating fair value, and the level within the hierarchy of the estimate.

Investments

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents are reported using a market approach and are considered Level 1 inputs.

Mutual Funds - Fixed Income: Mutual funds investing in high yielding, non-investment grade publicly traded fixed income securities with quoted prices in active markets. Fixed income mutual funds are valued using a market approach and considered Level 1 inputs.

Mutual Funds - Equities: Mutual funds investing in domestic and/or foreign equity securities with quoted prices in active markets. Equity mutual funds are valued using a market approach and are considered Level 1 inputs.

Limited Partnerships: As a "fund-of-funds," the partnership's investments consist of underlying funds that invest in office, apartment, retail, industrial or other commercial real estate, or in real estate-related securities within the U.S., Europe, and Asia. These partnerships are valued using NAV per share (or its equivalent unit) as determined by the fund managers.

Real Estate Investment Trusts: Exchange traded funds that invest in the securities comprising the Standard & Poor's Depositary Receipt index which measures the performance of international publicly traded real estate securities.

Private Equity: The fund invests in a diversified portfolio of sub-private equity funds managed by private equity managers that have historically provided risk-adjusted returns within their strategy, while at the same time seeking to dampen overall portfolio volatility. The primary investment objective is to generate attractive risk-adjusted returns through the careful selection of broad and varied private equity portfolios that provide access to attractive markets traditionally only available to the largest institutional investors at a significantly lower cost than otherwise possible. The fund is valued using NAV per share (or its equivalent unit) as determined by the fund managers.

Beneficial Interests in Trusts

The underlying investments of the POA beneficial interests in trusts include money market funds, equity securities, fixed income securities, and mortgage securities.

KCI 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 education and community programs.

The interests in the trusts are valued using a market approach. Beneficial interests in trusts are Level 3 in the fair value hierarchy.

The following table presents additional information about assets measured at fair value on a recurring basis and for which POKC has utilized Level 3 inputs to determine fair value for the year ended August 31, 2023:

Balance, beginning of year	$ 12,772
Unrealized gains	433
Balance, end of year	$ 13,205

Fair Value Measurements of Investments That Calculate NAV per Share

Fair value measurements of investments in certain entities that calculate NAV per share as of August 31, 2023 are as follows (in thousands):

	Fair Value 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships [(a)]	$ 72,558	$ 301	(a)	(a)
Private equity [(b)]	18,084	8,343	(b)	(b)
	$ 90,642	$ 8,644		

(a) Limited partnerships - GEF of TIFF is a Delaware limited partnership employing a multi-manager, specialized strategy with exposure to primarily marketable global equity-oriented investments whose objective is to achieve a total return net of fees and expenses that exceeds the MSCI All Country World Index. The GEF invests globally, primarily via a carefully selected group of external managers to take advantage of the Fund's broad latitude opportunistically allocating assets to investments appropriate for non-profits. The GEF expects to make cash distributions, which will be made quarterly or annually at the election of each limited partner. A limited partner generally has the right to withdraw, all or any portion of a capital contribution, as adjusted for net capital appreciation and net capital depreciation on such amount, upon providing the general partner at least 65 days prior written notice.

(b) Private equity - Includes several private equity funds and limited liability partnerships that have diversified programs of U.S. and global private equity, venture capital, hedge funds and natural resources. The three largest funds comprise 70% of the total value. These investments are not redeemable. Distributions are received through the liquidation of the underlying assets in the fund.

NOTE E - ENDOWMENTS

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

POKC's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes donor-restricted endowment funds and endowment funds designated by the Board of Trustees to function as endowments, held in investments, plus the following where the assets have been designated for endowment: pledges receivable and split-interest agreements.

Interpretation of Relevant Law

The Board of Trustees follows the interpretation of Commonwealth of Pennsylvania Act 141 ("PA Act 141") as requiring the preservation of the original gift as a fund of permanent duration as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, except as described below. As a result of this interpretation, POKC classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is regarded as "net appreciation" and is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by POKC in a manner consistent with its spending policy.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-designated endowment funds may fall below the "historic dollar value." As of August 31, 2023, there were no funds with deficiencies.

Endowment Spending Policy

In accordance with Pennsylvania law, POKC has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding to its programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. POKC'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, POKC 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.

POKC determines its spending policy on an annual basis. As approved by the POKC Investment Committee and in accordance with PA Act 141, the amount for POA and KCI is applied to each pool and, pursuant to PA Act 141, shall not be less than 2.0% or more than 7.0% The Board has approved a spending percentage of 5.5% and 5.67% for 2023 for POA and KCI, respectively.

To the extent that actual income from donor-restricted investments is less than the predetermined amount, accumulated gains are made available for operations to fund the difference. For financial statement purposes, any excess accumulated gains or accumulated losses are recorded as net assets with donor restrictions. When accumulated gains are less than the calculated spending rate, funds are made available from net assets with donor restrictions. Investment return in excess of or less than the spending distribution is reported as a component of nonoperating revenue.

For Board-designated endowment, investment return in excess of or less than the spending distribution is reported as a component of nonoperating revenue.

Endowment Fund Activity

	Without Donor Restrictions	With Donor Restrictions	Total
		(in thousands)	
Net assets, beginning of year	$ 7,487	$ 257,451	$ 264,938
Net investment gain	721	24,115	24,836
Contributions	-	10,291	10,291
Appropriation of endowment assets for operations	(304)	(13,858)	(14,162)
Other changes			
Endowment campaign expenses	-	(502)	(502)
Reclassification of endowment funds	-	(239)	(239)
Change in estimate for annuities payable	-	(4)	(4)
Total other changes	-	(745)	(745)
Net assets, end of year	$ 7,904	$ 277,254	$ 285,158

Endowment net asset composition by type of fund as of August 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
		(in thousands)	
Donor-restricted endowment funds	$ -	$ 277,254	$ 277,254
Board-designated funds	7,904	-	7,904
	$ 7,904	$ 277,254	$ 285,158

NOTE F - ENDOWMENT ASSETS HELD BY OTHERS

POKC is the beneficiary of a number of irrevocable perpetual trusts held by third parties. POKC recorded the fair value of its interest in these trusts at $13,205,000 for the year ended August 31, 2023, in the accompanying consolidated statement of financial position. Distributions received from these trusts ($509,000) for the year ended August 31, 2023 are reported in the consolidated statement of activities. Changes in the fair value of the trusts are reported as increases or decreases in net assets with donor restrictions.

POA also is the beneficiary of a grant from the Annenberg Foundation contributed in 2003. This grant is restricted to establish funds for Education, Touring, Media & Technology and Artistic Endeavors. During 2012, the Foundation and POA collaborated on a new trust agreement to redefine the parameters and reiterate the restrictions on those endowment funds, which provided for the transfer of these grant assets to The Northern Trust Company, as trustee, for the continued use and benefit of POA, on terms and conditions set forth in the Trust Agreement. The Trust Agreement contains conditional terms that preclude POA from recording these assets on the consolidated statements of financial position as either investments or beneficial interests in trusts. A spending rate of 5.5% was applied for the year ended August 31, 2023. This draw from the Annenberg Endowment funds amounted to approximately $2,734,000 for 2023 and is included in spending policy draw, designated for current operations in the consolidated statement of activities. The fair value of the Foundation assets held by The Northern Trust Company was approximately $45,938,000 at August 31, 2023.

NOTE G - PROPERTY AND EQUIPMENT, NET

The components of property and equipment at August 31, 2023 were as follows (in thousands):

Land	$ 630
Building and building improvements	340,989
Equipment	33,326
Leasehold improvements	5,036
Fine instruments	295
Construction in progress	4,853
Total	385,129
Less: accumulated depreciation	(224,921)
Property and equipment, net	$ 160,208

Depreciation expense was $12,077,000 for the year ended August 31, 2023.

The City of Philadelphia ("City"), through the Philadelphia Authority for Industrial Development ("Authority"), acquired land for KCI to construct the concert hall. Land rights are recorded at their total acquisition cost of $20,366,000 and are presented in the consolidated statement of financial position, net of accumulated amortization of $4,968,000 for the year ended August 31, 2023. Land rights are being amortized on a straight-line basis over the 74-year remaining life of the lease which commenced when the building was placed into service in December 2001. Amortization expense was $229,000 for the year ended August 31, 2023. KCI has an agreement to lease the land from the Authority for 90 years with three 99-year options to renew at $10 per year.

NOTE H - POSTRETIREMENT BENEFIT OBLIGATION

POA provides its employees with postretirement health care and, for former employees of the Academy who were union members, severance pay based on the number of years of employment.

Postretirement health insurance is provided to POA's musician employees who retire generally with 10 years of service after age 50. Postretirement health insurance is provided to former Academy employees who are members of the International Association of Theatrical Stage Employees Union, generally for employees who retire after age 62 and with 30 years of service. For the years ended August 31, 2023, premiums paid by POA for these benefits amounted to $8,000 per person.

POA's actuary has performed the computations for the postretirement health care obligation as of August 31, 2023.

The calculation is as follows (in thousands):

	Orchestra	Administrative	Academy	Total
Change in benefit obligation				
Benefit obligation at beginning of year	$ 7,164	$ 290	$ 48	$ 7,502
Service cost	41	-	-	41
Interest cost	341	14	3	358
Actuarial (gain) loss	(347)	9	4	(334)
Benefits paid	(269)	(36)	(8)	(312)
Benefit obligation at end of year	6,930	277	47	7,254
Change in plan assets				
Fair value of plan assets at beginning of year				
Contributions by the Association	269	36	8	313
Benefits paid	(269)	(36)	(8)	(313)
Fair value of plan assets at end of year	-	-	-	-
Funded status at year end	$ (6,930)	$ (277)	$ (47)	$ (7,254)
Net amounts recognized in the consolidated statement of financial position consist of:				
Accrued postretirement benefit obligation	$ (6,930)	$ (277)	$ (47)	$ (7,254)
Amounts recognized in net assets but not yet recognized in net periodic benefit costs consist of:				
Accumulated gain	$ 1,733	$ 96	$ 11	$ 1,840
Cumulative employer contributions in excess of net periodic benefit cost	(8,663)	(373)	(58)	(9,094)
	$ (6,930)	$ (277)	$ (47)	$ (7,254)
Components of net periodic benefit cost				
Service cost	$ 41	$ -	$ -	$ 41
Interest cost	341	14	3	358
Actuarial gain	(99)	(12)	(1)	(112)
Net periodic benefit cost	$ 283	$ 2	$ 2	$ 287
Other changes recognized in other nonoperating revenue (expense)				
Net (gain) loss arising during period	$ (347)	$ 9	$ 4	$ (334)
Actuarial gain	99	12	1	112
Total recognized in other comprehensive income	$ (248)	$ 21	$ 5	$ (222)

	Orchestra	Administrative	Academy
Weighted-average assumptions used to determine net periodic benefit cost were:			
Discount rate	4.72%	4.72%	4.72%
Weighted-average assumptions used to determine benefit obligations were:			
Discount rate	5.37%	5.37%	5.37%
Measurement date	8/31/23	8/31/23	8/31/23

For measurement purposes, a 6.13% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023. The rate was assumed to decrease to a rate of 4.00% in 2046 by various percentage points annually.

Estimated future benefit payments for years ending after August 31, 2023 are as follows (in thousands):

Year Ending August 31,	Orchestra	Administrative	Academy
2024	$ 360	$ 43	$ 9
2025	376	45	9
2026	387	46	9
2027	419	50	10
2028	429	51	10
Next 5 years	2,438	289	59

Contributions

For postretirement plans, the expected contributions for the next fiscal year are shown as follows (in thousands):

Year Ending August 31,	Orchestra	Administrative	Academy
2024	$ 322	$ 38	$ 8

NOTE I - DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

POA has a retirement savings plan (the "Retirement Plan") which was established in 2011 under the provisions of IRC Section 403(b) and which is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. The Retirement Plan is a non-contributory, defined contribution pension plan covering all staff and musicians of the Association, the Plan Sponsor. All staff and musicians are eligible to participate in the Retirement Plan upon hire. POA contributes 5% - 8% of compensation each pay period to employees classified as staff. Musicians receive Association contributions of 8 - 10.5% depending on their age on December 1, 2011. Participants direct the investment of their contributions into various investment options offered by the Retirement Plan. A staff participant is 100% vested after one year of service, if hired on or after November 1, 2011. A staff participant hired before November 1, 2011 and musicians are 100% vested at all times. POA's contributions to the Retirement Plan for the year ended August 31, 2023 were $1,827,000.

KCI 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. KCI's contributions to this plan for the year ended August 31, 2023 were $169,000.

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

KCI contributed $1,070,000 to the multiemployer pension plan for the year ended August 31, 2023.

For KCI, the financial risks of participating in a multiemployer plan are 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.

KCI 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 U.S. GAAP. KCI has no plans to withdraw from this plan.

During the year ended August 31, 2023, KCI made annual contributions to one pension plan, covering approximately 56% of KCI's employees. KCI was not listed in the plan's Form 5500 as providing more than 5% of the plan's total contributions. KCI's participation in the multiemployer plan 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% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% 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 collective bargaining agreement to which the plan is subject.

Union plan information for KCI as of August 31, 2023, is as follows:

Union Name	# of Plan	Pension Protection Act Zone Status	FIP/RP Status Pending or implemented	Surcharge Imposed	Collective Bargaining Agreement Expiration Date	Contribution of KCI
I.A.T.S.E National Pension Fund	13-1849172/001	Green as of 12/31/2022	No	No	June 2024	$ 1,435,692

KCI also participates in a multi-employer health and welfare plan, and the expense was $1,070,000 for the year ended August 31, 2023.

NOTE J - LINES OF CREDIT AND NOTES PAYABLE

POA has available a $3,100,000 revolving credit facility. Under the agreement with the bank, the interest rate is 5.25% for 2023. The facility is available for working capital and general operating and capital expenditures in the ordinary course of business. This agreement also requires POA to maintain $350,000 in a deposit account with the lender, and among other things, limits additional indebtedness and the disposition of certain property. This line of credit extends through October 31, 2024. POA had no borrowings during the year ended August 31, 2023 and no amounts outstanding on this line of credit at August 31, 2023 and through the date of financial statement issuance. The line of credit is collateralized by POA's business assets, owned instruments, and music library.

In December 2020, KCI entered into a $5,000,000 term loan. The loan bears interest at 3% above one-month Libor (5.43% at August 31, 2023). Interest accrues monthly and will be capitalized as additional principal. On the 3rd and 4th year anniversary of the loan, KCI 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 $59,000 for the year ended August 31, 2023. The loan is collateralized by substantially all of KCI's assets, excluding the endowment, and is subject to certain financial covenants. In October 2022, this loan was repaid in its entirety.

KCI has a $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 Line of Credit is the current SOFR rate plus 2.25% (7.56% at August 31, 2023). The loan is collateralized by substantially all of KCI's assets, excluding real estate and the endowment. There were no outstanding balances under the Line of Credit at August 31, 2023.

In November 2016, KCI 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 incurred on the note August 31, 2023 was $195,812.

The following is a summary of principal maturities of the mortgage (in thousands):

For the Years Ending August 31,	
2024	$ 134
2025	151
2026	144
2027	4,342
Total	$ 4,771

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at August 31, 2023 (in thousands):

Program expenditure for a specific time or purpose	$	43,285
Endowment funds subject to appropriation and spending		256,376
Beneficial interests in trusts		13,205
Pledges related to endowment		7,673
	$	320,539

NOTE L - JOINT VENTURE

On July 1, 2001, the joint venture ("Ticket Philadelphia") was entered into by POA and KCI to handle all aspects of the ticketing function for all events held at the Academy of Music, Kimmel Center, and other venues in the Philadelphia area. Operating results are to be shared in accordance with a formula agreed to by the parties. POA and KCI are using the equity method of accounting to account for their respective share of the joint venture's activity.

The investment in Ticket Philadelphia totaled $1,852,000 at August 31, 2023. POKC's share of Ticket Philadelphia's net income was $1,074,000 for the year ended August 31, 2023.

NOTE M - CONTINGENCIES

POKC is subject to various claims and legal proceedings arising out of the ordinary course of business. Management believes the resolution of claims and pending litigation will not have a material effect, individually or in the aggregate, on the consolidated financial position of POKC.

POKC has several commitments under contract for renovations of the Academy. Portions of these contracts not completed at year end are not reflected in the consolidated financial statements. These unrecorded commitments totaled $1,825,000 at August 31, 2023.

NOTE N - COMMITMENTS

Leases

The Orchestra and the Academy are parties to a Master Lease between the Academy and Regional Performing Arts Center, Inc. (now KCI) and a Sublease dated as of February 11, 2001, between Regional Performing Arts Center, Inc. and the Orchestra, which govern the Orchestra's use of Verizon Hall at the Kimmel Center and KCI's use of the Academy of Music. The lease expired in June 2012 and was automatically renewed for the first two renewal periods which extends to June 15, 2026: the second renewal period extends the lease to June 15, 2031. As part of the agreement, KCI operates, manages, licenses, schedules and maintains and repairs the Academy. KCI 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, KCI also earns revenue from theatrical performances it presents at the Academy.

On December 26, 2012, the Association entered into an Office Lease (the "Lease") with Broad One, L.P. (the "Prime Landlord") for 16,139 square feet of administrative office space on the 14th floor of One South Broad Street in Philadelphia, Pennsylvania (the "Premises"). The term of the Lease (the "Lease Term") commenced on April 1, 2014 and shall continue until March 31, 2023. The lease was renewed through July 31, 2025.

The minimum remaining rent per annum under the Lease shall be as follows:

Fiscal Year	Minimum Rent Per Annum
2024	$ 403,000
2025	$ 370,000

Minimum rent shall be payable in equal monthly installments commencing on the first day of each month during the Lease Term without demand deduction or set-off, provided that the Association is not in default of its obligations under the Lease Term.

As disclosed in Note B, POKC adopted new leasing guidance effective September 1, 2022. As a result, the lease disclosures as of and for the year ended August 31, 2023, are reported under the new leasing standard.

Lease costs recorded in the statement of activities for the year ended August 31, 2023, are as follows:

Operating lease costs	$ 2,033,000
Supplemental cash flow information related to leases:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows related to operating leases	$ 1,878,000

The lease assets and liabilities included in the statement of financial position as of June 30, 2023 are as follows:

	2023
Operating leases right-of-use assets	$ 9,094,000
Accumulated amortization	(1,627,000)
Operating leases right-of-use assets, net	$ 7,467,000
Operating lease liability	$ 7,623,000

Weighted-average lease term and discount rate as of August 31, 2023 are as follows:

Weighted-average remaining lease term	3.81 years
Weighted-average discount rate	5.25%

The leases have remaining lease terms of up to 4 years, inclusive of renewal options that are reasonably certain to be exercised. The following table summarizes the maturity of lease liabilities under operating leases as of August 31, 2023:

2024	$ 2,223,000
2025	2,245,000
2026	1,932,000
2027	1,991,000
	8,391,000
Less: effects of discounting	(768,000)
	$ 7,623,000

Resident Company Agreements

KCI 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. KCI receives ticket surcharges, rental and various other revenues from the Resident Companies in exchange for use of the venues managed by KCI, 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 KCI's venues and, in some cases, the attendance at each performance.

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

For the Years Ending August 31,	
2024	$ 1,960
2025	1,989
2026	2,020
2027	2,050
	$ 8,019

Total rental income was $4,793,000 for the year ended August 31, 2023.

Parking Agreement

KCI has 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, KCI paid a base management fee of $7,337 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 year ended August 31, 2023, no incentive management fees were incurred.

Concessionary Agreements

KCI has an agreement with a concessionaire for the operation of all food and beverage services within KCI and the Academy through March 2027. KCI 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 KCI, a portion of which may have to be repaid by KCI in future years if the concession agreement is terminated by either party.

NOTE O - RELATED PARTIES

POA and KCI, in an effort to leverage economies of scale to capitalize on the strength inherent in a larger information technology service model, have entered into an agreement whereby a single information technology staff provides technology services to each organization according to their respective business needs. Allocable costs are charged to KCI by POA pursuant to the aforementioned agreement.

For the year ended August 31, 2023, POA received payments from KCI and Ticket Philadelphia totaling approximately $1,730,000 for these services, which are recorded in the consolidated statement of activities.

Contribution revenue recorded from members of POKC's Board of Directors was $7,997,000 for the year ended August 31, 2023.

POA and KCI have allocated certain administrative expenses to POKC, their parent company, that have been determined to benefit the entire organization and its subsidiaries. POA and KCI also allocated income to POKC which will offset expenses. The expenses consist of a portion of compensation and office expenses of the Executive Office, Finance, Human Resources and Development departments. The amount allocated to POKC for revenues and expenses for the year ended August 31, 2023 was $3,211,000 and $1,180,000, respectively, from POA and KCI.

NOTE P - COLLECTIVE BARGAINING AGREEMENTS

The Orchestra had 168 full-time employees as of August 31, 2023, 90 of which were musicians and three of which were stagehands. One hundred percent (100%) of the musicians and stagehands were represented by the American Federation of Musicians, Local 77 ("AFM") and the International Alliance of Theatrical Stage Employees, Local 8 ("IATSE"), respectively. The current collective bargaining agreement with the AFM was renewed in 2023 and covers the period September 2023 through September 2026. The most recent agreement covered the period September 2019 through September 2023. The collective bargaining agreement with IATSE expired in September 2019 and automatically renews from year to year thereafter unless either party gives written notice of its desire to terminate or amend the agreement. No other full-time employees of the Orchestra are represented by a union.

KCI's ticket sellers, ushers, stagehands, receiving personnel and wardrobe attendants are subject to various union contracts expiring through June 2024.

NOTE Q - FUNCTIONAL EXPENSES

Expenses by functional and natural classification for the year ended August 31, 2023 are as follows (in thousands):

	Program Services	Event Facilities	Management and General	Fundraising	Total
Salaries and benefits	$ 38,006	$ 6,317	$ 10,907	$ 2,538	$ 57,768
Performing artists	5,009	-	-	-	5,009
Facilities and office expenses	3,483	1,711	5,178	252	10,624
Professional and other fees for service	6,444	1,997	3,367	1,124	12,932
Production and education program	18,896	-	19	561	19,476
Travel	3,209	-	236	29	3,474
Advertising and promotion	6,448	141	743	12	7,344
Other expenses	268	1,180	1,322	111	2,881
Maintenance and repairs	-	3,279	-	-	3,279
Interest expense	-	255	-	-	255
Depreciation	-	9,257	3,048	-	12,305
	$ 81,763	$ 24,137	$ 24,820	$ 4,627	$ 135,347

NOTE R - LIQUIDITY AND FUNDS AVAILABLE

As of August 31, 2023 financial assets and liquidity resources available within one year for general expenditure were as follows (in thousands):

Financial assets	
Cash and cash equivalents	$ 25,711
Notes and trade accounts receivable, net	16,817
Pledge payments available for operations	9,305
Board designations	
Funds functioning as endowment available for operations	7,904
Estimated endowment payout within one year	14,623
Estimated third-party trust payments within one year	3,142
Total financial assets available within one year	77,502
Liquidity resources	
Bank lines of credit	8,100
Total financial assets and liquidity resources available within one year	$ 85,602

In addition to its financial assets available in one year, POKC 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 POKC'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.

NOTE S - SUBSEQUENT EVENTS

POKC evaluated its August 31, 2023 consolidated financial statements for subsequent events through February 8, 2024, the date the consolidated financial statements were available to be issued. In January 2024, POKC 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. POKC and KCI have registered “doing business as” names which are “Philadelphia Orchestra and Ensemble Arts” and “Ensemble Arts Philly” respectively. Except as disclosed within Note J and Note P, POKC is not aware of any other subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.