Consolidated Financial Statements and Report of Independent Certified Public Accountants and Single Audit Reports in Accordance with the Uniform Guidance

The Philadelphia Orchestra Association

August 31, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Philadelphia Orchestra Association

Report on the financial statements

Opinion

We have audited the consolidated financial statements of The Philadelphia Orchestra Association and its wholly owned subsidiary, The Academy of Music of Philadelphia, Inc. (collectively the “Association”), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years 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 Association as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of 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 Association’s ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

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 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 consolidated financial statements.

In performing an audit in accordance with US GAAS 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 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 Association'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 Association'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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Academy of Music of Philadelphia, Inc.'s statements of financial position and statements of activities as of and for the years ended August 31, 2022 and 2021, and the schedule of expenditures of federal awards, for the year ended August 31, 2022, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the

auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated 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 March 1, 2023 on our consideration of the Association'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 the Association'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 the Association's internal control over financial reporting and compliance.

Grant Thornton LLP

Philadelphia, Pennsylvania
March 1, 2023

The Philadelphia Orchestra Association

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31,
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 22,046	$ 30,468
Trade accounts receivable, net	3,806	1,757
Prepaid expenses and other assets	2,231	1,294
Pledges receivable, net	17,891	4,400
Notes receivable	500	150
Investments	186,754	218,656
Beneficial interests in trusts	6,629	7,577
Property and equipment, net	30,008	31,723
Total assets	$ 269,865	$ 296,025
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 2,175	$ 3,941
Accrued expenses and other liabilities	2,075	2,039
Deferred revenue	4,571	9,511
Annuities payable	1,216	1,553
Accrued postretirement benefit obligation	7,502	10,273
Total liabilities	17,539	27,317
Net assets		
Without donor restrictions	40,028	38,097
With donor restrictions	212,298	230,611
Total net assets	252,326	268,708
Total liabilities and net assets	$ 269,865	$ 296,025

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

The Philadelphia Orchestra Association

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended August 31, 2022
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Performance revenue			
Philadelphia concerts	$ 5,124	$ -	$ 5,124
Other concerts	5,306	-	5,306
Tours	1,752	-	1,752
Recording, radio and television	254	-	254
Total performance revenue	12,436	-	12,436
Performance expense			
Orchestra and concert production	36,439	-	36,439
Concert promotion expenses	893	-	893
Recording, radio and television	776	-	776
Total performance expense	38,108	-	38,108
Performance deficit	(25,672)	-	(25,672)
Other operating revenue			
Annual public support	15,291	11,875	27,166
Volunteer project revenue	169	529	698
COVID-19 related grants and other income	8,025	-	8,025
Spending policy draw, designated for current operations	12,165	-	12,165
Income from beneficial interests in trusts	264	-	264
Other revenues	1,929	-	1,929
Gifts in kind	2	-	2
Equity gain in joint venture	225	-	225
Academy event revenue, net	289	-	289
Net assets released from restrictions			
Satisfaction of program restrictions	2,509	(2,509)	-
Satisfaction of time restrictions	1,139	(1,139)	-
Total other operating revenue	42,007	8,756	50,763
Other operating expense			
Fundraising expenses			
Annual fundraising	2,209	-	2,209
Global initiatives and government relations	222	-	222
Volunteer project	78	-	78
Total fundraising expenses	2,509	-	2,509
Management and general			
Administrative expense	11,940	-	11,940
Bad debt expense	22	-	22
Depreciation	673	-	673
Total management and general	12,635	-	12,635
Total other operating expense	15,144	-	15,144
Transfer to POKC - administrative expenses of subsidiary (see Note O)	2,218	-	2,218
Transfer from POKC - income allocation to cover expenses (see Note O)	(2,218)	-	(2,218)
Change in net assets from operating activities	1,191	8,756	9,947
Nonoperating activity			
Endowment contributions	-	17,411	17,411
Investment return, net of spending policy draw	(1,014)	(43,542)	(44,556)
Spending policy draw, designated for Academy of Music	994	-	994
Academy of Music revenue	1,349	185	1,534
Academy of Music expense, including depreciation of $2,515	(4,100)	-	(4,100)
Net assets released from restrictions - Academy of Music	715	(715)	-
Endowment campaign expenses	-	(408)	(408)
Other changes in postretirement benefit obligation	2,796	-	2,796
Total nonoperating revenue (expense)	740	(27,069)	(26,329)
CHANGE IN NET ASSETS	1,931	(18,313)	(16,382)
Net assets, beginning	38,097	230,611	268,708
Net assets, ending	$ 40,028	$ 212,298	$ 252,326

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

The Philadelphia Orchestra Association

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended August 31, 2021
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Performance revenue			
Philadelphia concerts	$ 434	$ -	$ 434
Other concerts	1,344	-	1,344
Recording, radio and television	312	-	312
Total performance revenue	2,090	-	2,090
Performance expense			
Orchestra and concert production	21,432	-	21,432
Concert promotion expenses	484	-	484
Recording, radio and television	863	-	863
Total performance expense	22,779	-	22,779
Performance deficit	(20,689)	-	(20,689)
Other operating revenue			
Annual public support	12,820	3,986	16,806
Volunteer project revenue	328	582	910
COVID-19 related grants and other income	5,916	-	5,916
Spending policy draw, designated for current operations	10,853	-	10,853
Income from beneficial interests in trusts	263	-	263
Other revenues	1,105	-	1,105
Gifts in kind	441	-	441
Equity loss in joint venture	(298)	-	(298)
Academy event revenue, net	157	-	157
Net assets released from restrictions			
Satisfaction of program restrictions	2,016	(2,016)	-
Satisfaction of time restrictions	1,675	(1,675)	-
Total other operating revenue	35,276	877	36,153
Other operating expense			
Fundraising expenses			
Annual fundraising	2,331	-	2,331
Global initiatives and government relations	252	-	252
Volunteer project	86	-	86
Total fundraising expenses	2,669	-	2,669
Management and general			
Administrative expense	8,569	-	8,569
Bad debt expense	28	-	28
Depreciation	514	-	514
Total management and general	9,111	-	9,111
Total other operating expense	11,780	-	11,780
Change in net assets from operating activities	2,807	877	3,684
Nonoperating activity			
Endowment contributions	-	6,275	6,275
Investment return, net of spending policy draw	826	35,993	36,819
Spending policy draw, designated for Academy of Music	1,145	-	1,145
Academy of Music revenue	1,337	1,071	2,408
Academy of Music expense, including depreciation of $2,503	(3,697)	-	(3,697)
Endowment campaign expenses	-	(291)	(291)
Other changes in postretirement benefit obligation	1,917	-	1,917
Total nonoperating revenue	1,528	43,048	44,576
CHANGE IN NET ASSETS	4,335	43,925	48,260
Net assets, beginning	33,762	186,686	220,448
Net assets, ending	$ 38,097	$ 230,611	$ 268,708

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

The Philadelphia Orchestra Association

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,
(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (16,382)	$ 48,260
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,188	3,017
Provision for bad debt expense	24	93
Change in investment in joint venture	(225)	298
Endowment contributions received	(17,411)	(6,275)
Net realized and unrealized loss (gain) on investments	35,607	(42,859)
Change in beneficial interests in trusts	948	(1,130)
Other changes in postretirement benefit obligation	2,796	1,917
Changes in assets and liabilities:		
Trade accounts receivable	(2,049)	(1,282)
Prepaid expenses and other assets	(712)	155
Pledges receivable	(13,515)	570
Accounts payable, accrued expenses and other liabilities	(1,730)	3,263
Deferred revenue	(4,940)	5,368
Annuities payable	(337)	(267)
Accrued postretirement benefit obligation	(5,567)	(3,645)
Net cash (used in) provided by operating activities	(20,305)	7,483
Cash flows from investing activities:		
Purchases of investments	(31,726)	(25,326)
Proceeds from sales of investments	28,021	25,380
Purchase of property, plant and equipment	(1,473)	(2,152)
Loan disbursements to employees	(400)	-
Repayments of employee loans	50	50
Net cash used in investing activities	(5,528)	(2,048)
Cash flows from financing activities:		
Endowment contributions received	17,411	6,275
Net cash provided by financing activities	17,411	6,275
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,422)	11,710
Cash and cash equivalents, beginning of year	30,468	18,758
Cash and cash equivalents, end of year	$ 22,046	$ 30,468
Supplemental cash flow data:		
Noncash investing activities		
Change in accrued construction expenses	$ (99)	$ 86

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

NOTE A - NATURE OF OPERATIONS

Organization

The Philadelphia Orchestra Association (the “Orchestra”) 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.

These consolidated financial statements include the accounts of the Orchestra and its wholly owned subsidiary, The Academy of Music of Philadelphia, Inc. (the “Academy”) (collectively, the “Association”). All significant intercompany balances and transactions have been eliminated. The Academy was organized to operate, manage, and maintain the Academy of Music, a concert hall. The Association has contracted with the Kimmel Center, Inc. (“KCI”), to manage the operations of the Academy. In addition, the Association has invested in 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.

The Orchestra and KCI, after receiving a No Objection Letter form the Pennsylvania Attorney General dated October 15, 2021, entered into a Partnership and Affiliation Agreement on October 21, 2021, that will enable the Orchestra 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 the Orchestra and KCI, with full representation from the existing Orchestra and KCI boards. The transaction was closed on December 2, 2021, and the associated filings were made on December 3, 2021.

The Orchestra and KCI will remain separate legal entities, each operating as tax-exempt organizations, and shall continue to operate in accordance with and to further its respective tax-exempt mission and purposes.

Definition of Operating Activities

The operations of the Orchestra, including all concerts, recording, and touring activities, are presented in the operating activities section of the consolidated statements of activities. Also included with operating activities are all Orchestra 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. In addition, all activities of the Academy are included in nonoperating revenue (expense).

Operating results for activities such as concerts and other events that take place at the Academy of Music building under the auspices of KCI are not included in these consolidated financial statements as they are part of KCI’s operations. KCI leases the property of the Academy for a dollar per year through 2031. The lease contains various options to extend at current market rates through 2090.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Association 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. Approximately $4,251,000 and $5,266,000 of the Association's net assets without donor restrictions as of August 31, 2022 and 2021, respectively, have been designated by the Board of Directors to function as endowment.

- Net assets with donor restrictions - Net assets whose use by the Association 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 that 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 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. The Association maintains cash accounts which, at times, may exceed federally insured limits. The Association 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.

Cash equivalents in the Association's endowment are considered long-term investments. Cash equivalents that are part of endowment investments are shown therewith, as such funds are utilized for endowment purposes rather than Association operating needs and, therefore, are not included in cash and cash equivalents for purposes of preparing the statement of cash flows.

Investments

The Association records its investments at fair value. Debt securities, equity securities and mutual funds are valued at quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of alternative investments is based upon net asset value ("NAV") as a practical expedient, which is provided by external investment managers as of August 31, 2022 and 2021. 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 the Association's alternative investment selection is to enhance the risk-adjusted returns of the Association's total asset portfolio. The Association 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, 2022 and 2021, the alternative investment exposure to any product and/or manager was less than 1% of total long-term investments.

Fair Value Measurements

The Association 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. The Association'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 the Association 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

The Association has granted loans to members of the Orchestra for the purpose of acquiring instruments to be used when performing with the Orchestra. The Association granted individual loans for amounts up to $15,000, which are non-interest-bearing for a maximum term of five years. The total outstanding amount of these loans must not exceed $125,000. There were no instrument loans outstanding as of August 31, 2022 and 2021.

The Association also makes individual loans, which bear interest at the 10-year Treasury note rate plus 1% for amounts up to $125,000, with a maximum term of 10 years. The 10-year Treasury note rate was 3.15% and 1.30% at August 31, 2022 and 2021, respectively. The total outstanding amount of these loans must not exceed $500,000. During the year ended August 31, 2018, the Association provided a housing relocation loan to an officer in the amount of $250,000. The loan is secured, interest-bearing at 2.69%, and repayable over five years. As of August 31, 2022 and 2021, the outstanding balance on the loan was $100,000 and $150,000, respectively. During the year ended August 31, 2022, the Association 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 repayable over four years. As of August 31, 2022, the outstanding balance on the loan was $400,000.

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 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 statements of activities.

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 at both August 31, 2022 and 2021 was approximately $295,000.

Annuities Payable

Liabilities related to charitable gift annuities received by the Association 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 statements 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, Academy Ball program receivables and other amounts.

Allowance for Doubtful Accounts

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

Pledges Receivable and Contribution Revenue

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.

Performance and Other Earned Revenue

Revenues from concert, recording, touring and 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.

The Orchestra 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, the Orchestra recognizes revenue for fees it receives for services performed at locations regionally and through domestic and foreign touring. The Orchestra also recognizes revenue for media income from royalties and other recording activities.

In the following table, performance and other earned revenue is disaggregated by major type as of August 31, 2022 and 2021 (in thousands):

	2022	2021
Philadelphia concerts	$ 5,124	$ 434
Education series	-	25
Other Philadelphia concerts	1,553	61
Contracted services in Philadelphia	179	148
Contracted services - runouts	1,928	652
Residencies and touring	3,398	458
Recording, radio and television	254	312
Shared services and other	1,929	1,105
Total earned revenue	$ 14,365	$ 3,195

Tax Status

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

The Association 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. The Association 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 the Association'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

During the year ended August 31, 2022, POA adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07*, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The guidance requires contributed nonfinancial assets to be presented as a separate line item on the consolidated statements of activities, apart from cash and other financial asset contributions. The guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. The adoption of this standard did not have a material impact on the consolidated financial statements. There are no contributed nonfinancial assets which are monetized nor any with donor-imposed restrictions.

During the year ended August 31, 2022, the Orchestra adopted FASB ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*. This guidance intends to improve the effectiveness of disclosures in the notes to the consolidated financial statements by modifying disclosure requirements for employers that sponsor defined benefit pensions or other postretirement plans. The adoption of this guidance did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued 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. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Association does not anticipate that the adoption of ASU 2016-02 will have a significant impact on the consolidated financial statements.

Impact of COVID-19

The continued impact of the COVID-19 pandemic on the Association's operational and financial performance will depend on further developments that cannot reasonably be estimated at this time. The Association has resumed pre-pandemic operations including in-person office work and resumption of in-person concert performances. The Association took measures to mitigate the impact of the pandemic, including application and receipt of government assistance in the form of grants and tax credits in both 2022 and 2021. The Association will continue to monitor the effects of the pandemic going forward.

The Orchestra received two Shuttered Venue Operator Grants ("SVOG") through a program administered by the Small Business Administration, which was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan ("ARP") Act. Eligible applicants qualified for grants equal to a certain percentage of their gross earned revenue, with the maximum amount available for a single grant award of $10 million.

The Orchestra's initial SVOG grant in the amount of $7,250,000 was awarded and received in June 2021 and reflected as deferred revenue as of August 31, 2021 as the conditions for revenue recognition (incurrence of qualified expenditures) had not yet occurred. The Orchestra received a supplemental grant in the amount of $750,000 which was awarded and received in November 2021. The SVOG grants are reflected in fiscal year 2022 operations within the consolidated statement of activities because of the timing and nature of the related, qualified expenditures incurred during the year ended August 31, 2022.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable at August 31, 2022 and 2021 were expected to be collected as follows (in thousands):

	2022			
	Operating Fund	Academy of Music	Endowment Fund	Total
Due within				
One year	$ 5,710	$ 445	$ 2,055	$ 8,210
Two to five years	6,565	150	3,831	10,546
Total pledges receivable	12,275	595	5,886	18,756
Less: allowance for uncollectible pledges	(42)	(10)	(10)	(62)
Subtotal	12,233	585	5,876	18,694
Less: unamortized discount	(419)	(15)	(369)	(803)
Net present value of pledges receivable	$ 11,814	$ 570	$ 5,507	$ 17,891
Activity during year				
Balance, beginning of year	$ 3,383	$ 593	$ 424	$ 4,400
Cash received	(8,968)	(721)	(5,000)	(14,689)
New pledges received	17,815	713	10,400	28,928
Bad debt expense	(12)	-	-	(12)
Amortization of discount	(404)	(15)	(317)	(736)
Balance, end of year	$ 11,814	$ 570	$ 5,507	$ 17,891

	2021			
	Operating Fund	Academy of Music	Endowment Fund	Total
Due within				
One year	$ 2,752	$ 603	$ 23	$ 3,378
Two to five years	685	-	440	1,125
After five years	-	-	22	22
Total pledges receivable	3,437	603	485	4,525
Less: allowance for uncollectible pledges	(42)	(10)	(9)	(61)
Subtotal	3,395	593	476	4,464
Less: unamortized discount	(12)	-	(52)	(64)
Net present value of pledges receivable	$ 3,383	$ 593	$ 424	$ 4,400
Activity during year				
Balance, beginning of year	$ 4,059	$ 48	$ 956	$ 5,063
Cash received	(7,905)	(677)	(550)	(9,132)
New pledges received	7,430	1,224	-	8,654
Bad debt expense	(209)	(2)	-	(211)
Amortization of discount	8	-	18	26
Balance, end of year	$ 3,383	$ 593	$ 424	$ 4,400

The Association uses fair value rates ranging from 3.06% - 5.46% to discount its pledges receivable.

NOTE D - INVESTMENTS

At August 31, 2022 and 2021, the fair value of investments was as follows (in thousands):

	2022	2021
Cash equivalents	$ 659	$ 230
Mutual funds - fixed income	29,400	36,333
Mutual funds - inflation hedges	-	67
Mutual funds - equities	83,592	93,620
Limited partnership - real estate	224	225
Limited partnership - global equity	67,510	84,672
Private equity	5,369	3,500
Multi-strategy	-	9
Total fair value of investments	$ 186,754	$ 218,656

The above amounts include approximately $21,135,000 and $26,198,000 of endowment funds for the benefit of the Academy at August 31, 2022 and 2021, respectively.

The accompanying consolidated financial statements also include assets held in trust that are under the control of outside trustees. The fair value of the investments held in the trusts was approximately $6,629,000 and $7,577,000 on August 31, 2022 and 2021, respectively.

Certain of the Orchestra'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 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 tables present information about the Association's assets measured at fair value on a recurring basis, as described in Note B, as of August 31, 2022 and 2021, and indicate the fair value hierarchy of the valuation techniques utilized by the Association to determine such fair value (in thousands):

	Assets at Fair Value at August 31, 2022				
	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 equivalents	$ 659	$ -	$ -	$ -	$ 659
Mutual funds - fixed income	29,400	-	-	-	29,400
Mutual funds - equities	83,592	-	-	-	83,592
Limited partnership - real estate	-	-	-	224	224
Limited partnership - global equity	-	-	-	67,510	67,510
Private equity	-	-	-	5,369	5,369
Total investments	113,651	-	-	73,103	186,754
Beneficial interests in trusts	-	-	6,629	-	6,629
Total assets	$ 113,651	$ -	$ 6,629	$ 73,103	$ 193,383

	Assets at Fair Value at August 31, 2021				
	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 equivalents	$ 230	$ -	$ -	$ -	$ 230
Mutual funds - fixed income	36,333	-	-	-	36,333
Mutual funds - inflation hedges	67	-	-	-	67
Mutual funds - equities	93,620	-	-	-	93,620
Limited partnership - real estate	-	-	-	225	225
Limited partnership - global equity	-	-	-	84,672	84,672
Private equity	-	-	-	3,500	3,500
Multi-strategy	-	-	-	9	9
Total investments	130,250	-	-	88,406	218,656
Beneficial interests in trusts	-	-	7,577	-	7,577
Total assets	$ 130,250	$ -	$ 7,577	$ 88,406	$ 226,233

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Association has utilized Level 3 inputs to determine fair value for the years ended August 31, 2022 and 2021 (in thousands):

	Beneficial Interests in Trusts	
	2022	2021
Balance, beginning of year	$ 7,577	$ 6,447
Unrealized (losses) gains	(948)	1,130
Balance, end of year	$ 6,629	$ 7,577

In reference to the investments and other financial instruments held by the Association, 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 Equivalents: Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of the purchase. 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 - Inflation Hedges: Mutual funds investing in a combination of commodity-linked derivative instruments (such as commodity-linked notes) and fixed income securities, index funds which measure the performance of inflation-protected public obligations of the U.S. Treasury, otherwise known as “TIPS,” and in funds that invest at least 80% of their assets in inflation-indexed bonds issued by the U.S. Government, its agencies and instrumentalities, and corporations. These financial instruments, valued using the market approach, are 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.

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 trusts include money market funds, equity securities, fixed income securities, and mortgage securities. The interests in the trusts are valued using a market approach. Beneficial interests in trusts are Level 3 in the fair value hierarchy.

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, 2022 and 2021 are as follows (in thousands):

	Fair Value		Unfunded	Redemption	Redemption
	2022	2021	Commitments	Frequency	Notice Period
Limited partnerships [(a)]	$ 67,734	$ 84,897	$ 301	(a)	(a)
Private equity [(b)]	5,369	3,500	3,015	(b)	(b)
Multi-strategy	-	9	-		
	$ 73,103	$ 88,406	$ 3,316		

(a) Limited Partnerships - GEF of TIFF was formed on May 10, 2017. GEF 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 - Millcreek Private Equity Fund V, L.P. ("MCPEF V") was formed on December 4, 2017. MCPEF V is a Delaware limited partnership formed as a fund of funds to provide an opportunity for qualified individuals and institutional investors to invest in a diversified portfolio of sub funds. The Fund's primary investment objective is to generate attractive risk-adjusted returns through the careful selection of broad and varied private equity portfolios. The Fund endeavors to maintain adequate levels of portfolio diversification by seeking to build a portfolio of approximately five to twenty investments and intending to limit allocation to one sub fund investment manager to 20% of the NAV of the fund. An investor in the fund has no redemption rights and should anticipate holding its investment over the entire life of the fund. The general partner may, at any time, in its sole discretion, redeem all or any portion of an investor's interests on 30 business days prior written notice.

NOTE E - ENDOWMENTS

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

The Association'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 Directors 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 Directors of the Association 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, the Association 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 the Association in a manner consistent with the Association's 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, 2022, there were twenty-seven funds, which together have an original gift value of approximately $64,157,000, a current fair value of approximately $63,867,000 and a deficiency of approximately $290,000. There were no such deficiencies as of August 31, 2021. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new donor-restricted contributions. Over time, these may reverse due to appreciation of the underlying investments. The funds affected include those designated for artistic or education purposes, such as endowed musician chairs and education activities.

Endowment Investment Guidelines

The Association's Investment Guidelines are to invest the Association's endowment assets in a generally accepted prudential manner and produce an average annual total return on investments over a five-year period of at least the sum of the spending formula distribution rate plus the direct cost of investing these funds (investment advisor, brokerage, investment manager, custodial fees, etc.) plus the current rate of inflation as measured by the U.S. Department of Labor's Consumer Price Index. The Investment Committee of the POKC Board of Trustees is responsible for the oversight of the Association's endowment and pension assets.

The intent of the guidelines is to provide a predictable stream of funding to the Association's programs from its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity, board-designated funds, plus the following assets which have been designated for endowment: pledges receivable and split-interest agreements.

Endowment Spending Policy

The Association determines its spending policy on an annual basis. As approved by the POKC Investment Committee and in accordance with PA Act 141, the amount is calculated based on the average of the preceding 13-quarter unit values for each endowment pool multiplied by the average number of units for the preceding 12 months. The approved spending percentage 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% for both 2022 and 2021. This policy is applied to all endowments absent donor stipulations to the contrary.

The Association has an endowment agreement with the Annenberg Foundation (the "Foundation") for capital improvements to the Academy of Music, which caps the spending rate at 5.5% annually.

The Association has a separate endowment agreement with the Foundation for Orchestra activities, which also caps the spending rate at 5.5% after June 30, 2008. The Association applied a 5.5% spending rate in both 2022 and 2021 to these and all other endowment pools.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management of the investments is provided on a fully discretionary basis by competent external money management firms selected by the POKC Investment Committee with the guidance of third-party investment advisors. Different investment managers have been employed over the years and have included a wide range of investments, including alternative strategies. The rationale for including alternative strategy managers for the Association's portfolio is to reduce some volatility, consistent with a goal of generating absolute return.

The Association has adopted an endowment spending policy which designates a portion of the cumulative investment return for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines and is classified within net assets with donor restrictions. This policy provides for spending a percentage of the average market value of the funds (as of August 31) for the prior thirteen quarters immediately preceding the fiscal year.

The spending amount calculated on the Academy's endowment that is transferred to the Orchestra is capped at 12.4% of the value of the rent agreement with KCI, which amounted to approximately $231,000 and $16,000 at August 31, 2022 and 2021, 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.

Endowment Fund Activity
(in thousands)

Year ended August 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 5,266	$ 218,996	$ 224,262
Net investment return	(773)	(33,435)	(34,208)
Contributions	-	17,411	17,411
Appropriation of endowment assets for operations	(242)	(10,300)	(10,542)
Other changes			
Endowment campaign expenses	-	(408)	(408)
Change in estimate for annuities payable	-	194	194
Total other changes	-	(214)	(214)
Net assets, end of year	$ 4,251	$ 192,458	$ 196,709

Endowment net asset composition by type of fund as of August 31, 2022 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 192,458	$ 192,458
Board-designated funds	4,251	-	4,251
	$ 4,251	$ 192,458	$ 196,709

Endowment Fund Activity
(in thousands)

Year ended August 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 4,440	$ 177,019	$ 181,459
Net investment return	1,053	44,951	46,004
Contributions	-	6,275	6,275
Appropriation of endowment assets for operations	(227)	(9,102)	(9,329)
Other changes			
Endowment campaign expenses	-	(291)	(291)
Change in estimate for annuities payable	-	144	144
Total other changes	-	(147)	(147)
Net assets, end of year	$ 5,266	$ 218,996	$ 224,262

Endowment net asset composition by type of fund as of August 31, 2021 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 218,996	$ 218,996
Board-designated funds	5,266	-	5,266
	$ 5,266	$ 218,996	$ 224,262

NOTE F - ENDOWMENT ASSETS HELD BY OTHERS

The Association is the beneficiary of a number of irrevocable perpetual trusts held by third parties. The Association recorded the fair value of its interest in these trusts at approximately $6,629,000 and $7,577,000 at August 31, 2022 and 2021, respectively, in the accompanying consolidated statements of financial position. Distributions received from these trusts (approximately $264,000 and $263,000 in 2022 and 2021, respectively) are reported in the consolidated statements of activities. Changes in the fair value of the trusts are reported as increases or decreases in net assets with donor restrictions.

The Association also is the beneficiary of a grant from the Foundation contributed in 2003. This grant is restricted to establish funds for Education, Touring, Media & Technology and Artistic Endeavors. During 2012, the Foundation and the Association 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 the Association, on terms and conditions set forth in the Trust Agreement. The Trust Agreement contains conditional terms that preclude the Association 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 both the years ended August 31, 2022 and 2021. This draw from the Annenberg Endowment funds amounted to approximately $2,625,000 for 2022 and $2,671,000 for 2021 and is included in spending policy draw, designated for current operations in the consolidated statements of activities. The fair value of the Foundation assets held by The Northern Trust Company was approximately $45,938,000 for August 31, 2022 and $56,187,000 for August 31, 2021.

NOTE G - PROPERTY AND EQUIPMENT

The components of property and equipment at August 31, 2022 and 2021 were as follows (in thousands):

	2022	2021
Philadelphia Orchestra		
Office condominium	$ 1,735	$ 1,724
Building improvements	591	591
Equipment and other	9,943	9,096
Fine instruments	295	295
Total	12,564	11,706
Less: accumulated depreciation	(8,389)	(7,716)
Total Philadelphia Orchestra	4,175	3,990
Academy of Music		
Land	630	630
Building and building improvements	86,068	85,453
Office equipment	995	995
Total	87,693	87,078
Less: accumulated depreciation	(61,860)	(59,345)
Total Academy of Music	25,833	27,733
Total property and equipment, net	$ 30,008	$ 31,723

Depreciation expense related to the Orchestra was $673,000 and $514,000 for the years ended August 31, 2022 and 2021, respectively. Depreciation expense related to the Academy is reflected in the Academy of Music expense on the consolidated statements of activities in the amount of $2,515,000 and $2,503,000 for the years ended August 31, 2022, and 2021, respectively.

NOTE H - POSTRETIREMENT BENEFIT OBLIGATION

The Association 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 the Association’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 year ended August 31, 2022, premiums paid by the Association for these benefits amounted to $8,000 per person.

The Academy also provides a severance benefit based on years of employment to retiring unionized box office employees, ranging up to 15 or 20 years of service. The total severance pay benefit obligation was $66,000 at August 31, 2022 and 2021.

The Association's actuary has performed the computations for the postretirement health care obligation as of August 31, 2022 and 2021. Other changes recognized in other comprehensive income shown in the following tables is presented on the consolidated statements of activities in nonoperating revenue (expense) as other changes in postretirement benefit obligation. The calculation is as follows (in thousands):

	2022			
	Orchestra	Administrative	Academy	Total
Change in benefit obligation				
Benefit obligation at beginning of year	$ 9,892	$ 323	$ 58	$ 10,273
Service cost	81	-	-	81
Interest cost	240	9	1	250
Actuarial gain	(2,791)	(2)	(3)	(2,796)
Benefits paid	(258)	(40)	(8)	(306)
Benefit obligation at end of year	7,164	290	48	7,502
Change in plan assets				
Fair value of plan assets at beginning of year	-	-	-	-
Contributions by the Association	258	40	8	306
Benefits paid	(258)	(40)	(8)	(306)
Fair value of plan assets at end of year	-	-	-	-
Funded status at year end	$ 7,164	$ 290	$ 48	$ 7,502
Net amounts recognized in the consolidated statement of financial position consist of:				
Accrued postretirement benefit obligation	$ 7,164	$ 290	$ 48	$ 7,502
Amounts recognized in net assets but not yet recognized in net periodic benefit costs consist of:				
Accumulated gain	$ 1,485	$ 118	$ 15	$ 1,618
Cumulative employer contributions in excess of net periodic benefit cost	(8,649)	(408)	(63)	(9,120)
	$ (7,164)	$ (290)	$ (48)	$ (7,502)
Components of net periodic benefit cost				
Service cost	$ 81	$ -	$ -	$ 81
Interest cost	240	9	1	251
Net periodic benefit cost	$ 322	$ 9	$ 1	$ 332
Other changes recognized in other nonoperating revenue (expense)				
Net gain arising during period	$ (2,791)	$ (2)	$ (3)	$ (2,796)
Total recognized in other nonoperating revenue (expense)	$ (2,791)	$ (2)	$ (3)	$ (2,796)

	2021			
	Orchestra	Administrative	Academy	Total
Change in benefit obligation				
Benefit obligation at beginning of year	$ 11,533	$ 397	$ 69	$ 11,999
Service cost	136	-	-	136
Interest cost	255	9	2	266
Actuarial gain	(1,780)	(38)	(5)	(1,823)
Benefits paid	(252)	(45)	(8)	(305)
Benefit obligation at end of year	9,892	323	58	10,273
Change in plan assets				
Fair value of plan assets at beginning of year	-	-	-	-
Contributions by the Association	252	45	8	305
Benefits paid	(252)	(45)	(8)	(305)
Fair value of plan assets at end of year	-	-	-	-
Funded status at year end	$ 9,892	$ 323	$ 58	$ 10,273
Net amounts recognized in the consolidated statement of financial position consist of:				
Accrued postretirement benefit obligation	$ 9,892	$ 323	$ 58	$ 10,273
Amounts recognized in net assets but not yet recognized in net periodic benefit costs consist of:				
Accumulated (loss) gain	$ (1,306)	$ 116	$ 11	$ (1,179)
Cumulative employer contributions in excess of net periodic benefit cost	(8,586)	(439)	(69)	(9,094)
	$ (9,892)	$ (323)	$ (58)	$ (10,273)
Components of net periodic benefit cost				
Service cost	$ 136	$ -	$ -	$ 136
Interest cost	255	9	2	266
Actuarial loss (gain)	111	(17)	(1)	93
Net periodic benefit cost	$ 502	$ (8)	$ 1	$ 495
Other changes recognized in other nonoperating revenue (expense)				
Net gain arising during period	$ (1,780)	$ (38)	$ (5)	$ (1,823)
Actuarial (gain) loss	(111)	16	1	(94)
Total recognized in other nonoperating revenue (expense)	$ (1,891)	$ (22)	$ (4)	$ (1,917)

	2022		
	Orchestra	Administrative	Academy
Weighted-average assumptions used to determine net periodic benefit cost were:			
Discount rate	2.63%	2.63%	2.63%
Weighted-average assumptions used to determine benefit obligations were:			
Discount rate	4.72%	4.72%	4.72%
Measurement date	8/31/22	8/31/22	8/31/22

	2021		
	Orchestra	Administrative	Academy
Weighted-average assumptions used to determine net periodic benefit cost were:			
Discount rate	2.56%	2.56%	2.56%
Weighted-average assumptions used to determine benefit obligations were:			
Discount rate	2.63%	2.63%	2.63%
Measurement date	8/31/21	8/31/21	8/31/21

For measurement purposes, a 5.56% and 5.90% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2022 and 2021, respectively. 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, 2022 are as follows (in thousands):

Year Ending August 31,	Orchestra	Administrative	Academy
2023	$ 308	$ 42	$ 8
2024	319	43	9
2025	335	45	9
2026	364	49	10
2027	394	54	11
Next 5 years	2,239	304	61

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
2023	$ 273	$ 37	$ 7

NOTE I - DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN

The Association 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. The Association contributes 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. The Association’s contributions to the Retirement Plan for the years ended August 31, 2022 and 2021 were approximately $1,695,000 and $1,275,000, respectively.

NOTE J - LINE OF CREDIT

The Association has available a $3,100,000 revolving credit facility. Under the agreement with the bank, the interest rate is 5.25% for 2022 and 4.25% for 2021. The facility is available for working capital and general operating and capital expenditures in the ordinary course of business. This agreement also requires the Association 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 expired on October 31, 2022 and was extended through October 31, 2023. The Association had no borrowings during the year and no amounts outstanding on this line of credit at August 31, 2022 and 2021 and through the date of financial statement issuance. The line of credit is collateralized by the Association’s business assets, owned instruments, and music library.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at August 31, 2022 and 2021 (in thousands):

	2022	2021
Program expenditure for a specific time	$ 9,618	$ 972
Program expenditure for Orchestra activities	10,223	10,643
Endowment funds subject to appropriation and spending	3,535	46,323
Endowment funds to be held in perpetuity	176,786	164,672
Beneficial interests in trusts	6,629	7,577
Pledges related to endowment	5,507	424
	$ 212,298	$ 230,611

NOTE L - JOINT VENTURE

On July 1, 2001, the Association invested $70,000 in a nonprofit joint venture. The joint venture (“Ticket Philadelphia”) was entered into along with 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. This venture replaced the Association’s ticketing operations. Operating results are to be shared in accordance with a formula agreed to by the parties. The Association is using the equity method of accounting to account for its share of the joint venture’s activity. During the years ended August 31, 2022 and 2021, the Association recorded a gain/(loss) of $225,000 and ($298,000), respectively, from Ticket Philadelphia for its share of gains and losses from Ticket Philadelphia’s operations.

NOTE M - CONTINGENCIES

The Association 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 the Association.

NOTE N - COMMITMENTS

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 Orchestra, the Academy and KCI (collectively, the "Parties") executed an Agreement and Modification of Sublease on May 21, 2012 and a Memorandum of Understanding on January 26, 2016 (collectively, the "Lease Modifications"), which are designed to improve and make more efficient the working relationship between the Parties and resolve certain claims that had arisen among them as a result of the Orchestra's bankruptcy in 2011.

Commencing with the 2013 Orchestra Season through and including the 2027 Orchestra Season, Annual Rent under the Sublease as modified by the Lease Modifications shall be as follows:

a. Fixed Component - Commencing with the 2018 Orchestra Season and annually thereafter through and including the 2027 Orchestra Season, Annual Rent (in the amount of $1,740,000) shall increase or decrease by an amount equal to the increase or decrease in the Consumer Price Index.

b. Revenue Sharing - Commencing with the 2018 Orchestra Season and annually thereafter through and including the 2027 Orchestra Season, Annual Rent shall be the greater of: (i) the Annual Rent then in effect or (ii) 16% of the Orchestra's ticket revenue from Verizon Hall concerts and Perelman Theater concerts.

Due to the impact of COVID-19 and related concert cancellations and the inability to utilize the hall, rent was reduced for the year ended August 31, 2021. Rent paid was $1,604,000 and $125,000 for the years ended August 31, 2022 and 2021, respectively.

The Lease Modifications also call for certain additional performance fees to be paid by the Orchestra under the Sublease and provide for modification to the scheduling protocol of the Sublease.

The Association has several commitments under contract for renovations of the Academy of Music. Portions of these contracts not completed at year end are not reflected in the consolidated financial statements. These unrecorded commitments totaled $674,000 and $1,432,000 at August 31, 2022 and 2021, respectively.

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

Fiscal Year	Minimum Rent per Annum
2023	$ 235,360

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.

NOTE O - RELATED PARTIES

The Orchestra and the Kimmel Center, 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 the Kimmel Center by the Orchestra pursuant to the aforementioned agreement.

For the years ended August 31, 2022 and 2021, the Orchestra received payments from the Kimmel Center and Ticket Philadelphia totaling approximately $1,499,000 and $735,000, respectively, for these services, which are recorded in the consolidated statements of activities.

From time to time, the Orchestra may purchase services from organizations that members of the Board of Directors have an ownership interest in or are employed by. There were no services purchased from organizations that Board members have an ownership interest in for the years ended August 31, 2022 and 2021.

Contribution revenue recorded from members of the Association's Board of Directors was $17,367,000 and $11,684,000 for the years ended August 31, 2022, and 2021, respectively.

The Orchestra has allocated certain administrative expenses to POKC, its parent company, that have been determined to benefit POKC and its subsidiaries as a whole. The Orchestra 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. The amount allocated for the period from POKC's inception, December 3, 2021 through August 31, 2022, was $2,200,000.

NOTE P - COLLECTIVE BARGAINING AGREEMENTS

The Orchestra had 155 full-time employees as of August 31, 2022, 94 of which were musicians and two 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 2019 and covers 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.

In April 2020, in response to the outbreak of COVID-19 and its negative impact on the Orchestra's earned revenue, the members of the AFM entered into a Memorandum of Agreement (the "April 2020 MOA"). The April 2020 MOA was effective March 30, 2020 through September 13, 2020 and reduced the compensation of the members pursuant to certain terms and conditions. In October 2020, the AFM entered into an additional COVID-19 related Memorandum of Agreement (the "October 2020 MOA") that amends the collective bargaining agreement between the Orchestra and AFM, which originally covered the period September 2019 through September 2023 (the "2019-2023 Trade Agreement"). The changes made to the 2019-2023 Trade Agreement in the October 2020 MOA were effective from September 14, 2020 through September 12, 2021 and modified certain terms and conditions related to the employment of personnel, compensation, and service/work rules. Beginning September 13, 2021, terms reverted to the original Trade agreement.

The aforementioned collective bargaining agreement with the AFM provides for the continuation of a Musicians' Appreciation Fund (the "Fund"), originally established in the prior AFM collective bargaining agreement, to which certain amounts may be credited by the Association to demonstrate its intention to commit to the future success of the Orchestra. During the term of the agreement, the Association will annually allocate a portion of the positive change in net assets without donor restrictions from operating activities in each fiscal year, as presented in the consolidated statements of activities of the Association's audited consolidated financial statements (the "Base"), to the Fund. The allocation to the Fund for a fiscal year shall be equal to 50% of the Base for such fiscal year up to a Fund maximum of $500,000. The October 2020 MOA temporarily increased the maximum to $750,000. The Fund amounted to $500,000 and $750,000 in fiscal years 2022 and 2021, respectively, which has been recorded as an expense in the consolidated statements of activities.

NOTE Q - FUNCTIONAL EXPENSES

Expenses by functional and natural classification for the years ended August 31, 2022 and 2021 are as follows (in thousands):

	2022								
	Orchestra				Academy				
	Orchestra Activities	Management and General	Fundraising	Total Orchestra	Academy Event	Management and General	Fundraising	Total Academy	Total Expenses
Salaries and wages	$ 20,083	$ 5,123	$ 1,006	$ 26,212	$ -	$ 330	$ 230	$ 560	$ 26,772
Benefits and taxes	4,810	1,494	654	6,958	-	1	-	1	6,959
Performing artists	4,101	-	-	4,101	221	-	-	221	4,322
Facilities and office expenses	1,883	1,139	166	3,188	18	239	6	263	3,451
Cultivation and special events	-	-	131	131	65	-	-	65	196
Professional fees	658	413	9	1,080	-	42	-	42	1,122
Other fees for service	-	742	896	1,638	-	50	15	65	1,703
Production and education program	2,284	-	-	2,284	9	-	-	9	2,293
Travel	3,296	180	14	3,490	-	-	-	-	3,490
Advertising and promotion	785	240	-	1,025	1	-	-	1	1,026
Information technology	-	1,751	-	1,751	-	-	-	-	1,751
Insurance	120	250	-	370	-	1	-	1	371
Other expenses	88	606	41	735	15	-	53	68	803
Bad debt expense	-	22	-	22	-	-	-	-	22
Gift in-kind expense	-	2	-	2	-	-	-	-	2
Depreciation	-	673	-	673	-	2,515	-	2,515	3,188
	$ 38,108	$ 12,635	$ 2,917	$ 53,660	$ 329	$ 3,178	$ 304	$ 3,811	$ 57,471

	2021								
	Orchestra				Academy				
	Orchestra Activities	Management and General	Fundraising	Total Orchestra	Academy Event	Management and General	Fundraising	Total Academy	Total Expenses
Salaries and wages	$ 13,929	$ 3,450	$ 1,304	$ 18,683	$ -	$ 330	$ 215	$ 545	$ 19,228
Benefits and taxes	4,216	1,269	430	5,915	-	-	9	9	5,924
Performing artists	1,247	-	-	1,247	50	-	-	50	1,297
Facilities and office expenses	383	914	149	1,446	28	-	9	37	1,483
Cultivation and special events	-	-	51	51	-	-	-	-	51
Professional fees	325	293	11	629	-	41	-	41	670
Other fees for service	-	666	675	1,341	43	55	2	100	1,441
Production and education program	934	-	-	934	97	-	4	101	1,035
Travel	1,195	41	14	1,250	-	-	-	-	1,250
Advertising and promotion	414	155	6	575	12	-	-	12	587
Information technology	-	852	-	852	-	-	-	-	852
Insurance	131	163	-	294	-	1	-	1	295
Other expenses	4	305	29	338	1	18	49	68	406
Bad debt expense	-	28	-	28	63	2	-	65	93
Gift in-kind expense	1	461	-	462	8	-	-	8	470
Depreciation	-	514	-	514	-	2,503	-	2,503	3,017
	$ 22,779	$ 9,111	$ 2,669	$ 34,559	$ 302	$ 2,950	$ 288	$ 3,540	$ 38,099

NOTE R - LIQUIDITY AND FUNDS AVAILABLE

As of August 31, 2022, financial assets and liquidity resources available within one year for general expenditure were as follows (in thousands):

	Orchestra	Academy	Total
Financial assets			
Cash and cash equivalents	$ 18,971	$ 2,695	$ 21,666
Notes and accounts receivable, net	3,899	5	3,904
Pledge payments available for operations	5,667	570	6,237
Board designations			
Funds functioning as endowment available for operations	787	3,398	4,185
Estimated endowment payout within one year	10,511	885	11,396
Estimated third-party trust payments within one year	2,996	-	2,996
Total financial assets available within one year	42,831	7,553	50,384
Liquidity resources			
Bank line of credit	3,100	-	3,100
Total financial assets and liquidity resources available within one year	$ 45,931	$ 7,553	$ 53,484

As of August 31, 2021, financial assets and liquidity resources available within one year for general expenditure were as follows (in thousands):

	Orchestra	Academy	Total
Financial assets			
Cash and cash equivalents	$ 27,655	$ 2,438	$ 30,093
Notes and accounts receivable, net	1,804	4	1,808
Pledge payments available for operations	2,712	593	3,305
Board designations			
Funds functioning as endowment available for operations	1,079	4,187	5,266
Estimated endowment payout within one year	8,945	1,008	9,953
Estimated third-party trust payments within one year	2,886	-	2,886
Total financial assets available within one year	45,081	8,230	53,311
Liquidity resources			
Bank line of credit	3,100	-	3,100
Total financial assets and liquidity resources available within one year	$ 48,181	$ 8,230	$ 56,411

NOTE S - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2022 consolidated financial statements for subsequent events through March 1, 2023, the date the consolidated financial statements were available to be issued. Except as disclosed within Note J, the Association is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

The Academy of Music of Philadelphia, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31,
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 2,695	$ 2,438
Trade accounts receivable	5	4
Due from The Philadelphia Orchestra Association	-	142
Pledges receivable, net	570	593
Investments	21,135	26,198
Property and equipment, net	25,833	27,733
Total assets	$ 50,238	$ 57,108
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 40	$ 289
Accrued expenses	10	90
Due to The Philadelphia Orchestra Association	98	-
Accrued postretirement benefit obligation	48	57
Total liabilities	196	436
Net assets		
Without donor restrictions	31,735	33,576
With donor restrictions	18,307	23,096
Total net assets	50,042	56,672
Total liabilities and net assets	$ 50,238	$ 57,108

The Academy of Music of Philadelphia, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2022
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Academy Event revenue	$ 901	$ -	$ 901
Academy Event expense	(328)	-	(328)
Transfer of Academy Event proceeds to The Philadelphia Orchestra Association	(289)	-	(289)
Academy Event revenue, net	284	-	284
Annual public support	448	185	633
Spending policy draw	1,226	-	1,226
Net assets released for the Academy Concert and Ball	715	(715)	-
Total other revenue	2,389	(530)	1,859
Total revenue	2,673	(530)	2,143
Expenses			
Administrative expenses	664	-	664
Fundraising expenses	304	-	304
Total expenses	968	-	968
Change in net assets from operations	1,705	(530)	1,175
Nonoperating activity			
Depreciation	(2,515)	-	(2,515)
Investment return, net of spending policy	(811)	(4,259)	(5,070)
Transfer of endowment earnings to The Philadelphia Orchestra Association for Academy of Music base rent	(231)	-	(231)
Other changes in postretirement benefit obligation	11	-	11
	(3,546)	(4,259)	(7,805)
CHANGE IN NET ASSETS	(1,841)	(4,789)	(6,630)
Net assets, beginning of year	33,576	23,096	56,672
Net assets, end of year	$ 31,735	$ 18,307	$ 50,042

The Academy of Music of Philadelphia, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2021
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Academy Event revenue	$ 616	$ -	$ 616
Academy Event expense	(302)	-	(302)
Transfer of Academy Event proceeds to The Philadelphia Orchestra Association	(157)	-	(157)
Academy Event revenue, net	157	-	157
Annual public support	706	1,071	1,777
Spending policy draw	1,161	-	1,161
Other revenue	15	-	15
Total other revenue	1,882	1,071	2,953
Total revenue	2,039	1,071	3,110
Expenses			
Administrative expenses	447	-	447
Fundraising expenses	288	-	288
Total expenses	735	-	735
Change in net assets from operations	1,304	1,071	2,375
Nonoperating activity			
Depreciation	(2,503)	-	(2,503)
Investment return, net of spending policy	644	3,598	4,242
Transfer of endowment earnings to The Philadelphia Orchestra Association for Academy of Music base rent	(16)	-	(16)
Other changes in postretirement benefit obligation	13	-	13
	(1,862)	3,598	1,736
CHANGE IN NET ASSETS	(558)	4,669	4,111
Net assets, beginning of year	34,134	18,427	52,561
Net assets, end of year	$ 33,576	$ 23,096	$ 56,672

The Philadelphia Orchestra Association

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended August 31, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant Period Beginning/Ending Dates	Provided to Subrecipients	Total Federal Expenditures
U.S. Small Business Administration					
COVID-19: Shuttered Venue Operators Grants (SVOG)	59.075	N/A	9/1/2021 - 8/31/2022	$ -	$ 8,000,000
National Endowment for the Humanities (NEH)					
Promotion of the Arts Grants to Organizations and Individuals (NEA Grants for Art Projects 2, FY2021)	45.024	N/A	9/1/2021 - 8/31/2022	-	75,000
COVID-19: Promotion of the Arts Grants to Organizations and Individuals (NEA American Rescue Plan)	45.024	N/A	1/1/2022 - 8/31/2023	-	75,000
Total National Endowment for the Humanities (NEH)				-	150,000
U.S. Department of State (DOS)					
Public Diplomacy Programs (Global Initiatives)	19.040	N/A	10/1/2021 - 5/31/2022	-	50,000
Total Expenditures of Federal Awards				$ -	$ 8,200,000

The accompanying notes to the Schedule of Expenditures of Federal Awards should be read in conjunction with this schedule.

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of The Philadelphia Orchestra Association (the "Association") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE B - INDIRECT COST RATE

Indirect costs allocated to federal awards are based on predetermined rates negotiated with the Association's cognizant federal agency. The Association has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The Philadelphia Orchestra Association

We have audited, 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 (*Government Auditing Standards*), the consolidated financial statements of The Philadelphia Orchestra Association (the "Association"), which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 1, 2023.

Report on internal control over financial reporting
In planning and performing our audit of the consolidated financial statements, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association's consolidated 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 or significant deficiencies may exist that were not identified.

Report on compliance and other matters
As part of obtaining reasonable assurance about whether the Association's consolidated 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 consolidated financial statements. 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*.

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 Association’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 Association’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania
March 1, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
The Philadelphia Orchestra Association

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of The Philadelphia Orchestra Association (the "Association") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended August 31, 2022. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association 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 August 31, 2022.

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 (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association'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 the Association's federal programs.

Auditor's 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 the Association'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 US GAAS, *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 the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *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 the Association'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 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 the Association'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 Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in the Association's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
March 1, 2023

The Philadelphia Orchestra Association

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	______ yes	X no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ yes	X none reported
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over the major program:		
Material weakness(es) identified?	______ yes	X no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______ yes	X none reported
Type of auditors' report issued on compliance for the major program:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFS 200.516(a)?	______ yes	X no

Identification of the major programs:

Assistance Listing Number	Name of Federal Program or Cluster
59.075	Shuttered Venue Operators Grants (SVOG)

Dollar threshold used to distinguish between type A and type B programs:		$750,000
Auditee qualified as low-risk auditee?	______ yes	X no

The Philadelphia Orchestra Association

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended August 31, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.