



Kimmel Center, Inc.

Independent Auditor's Report and Financial Statements

August 31, 2024



Kimmel Center, Inc.
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August 31, 2024

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Independent Auditor's Report

Board of Directors
Kimmel Center, Inc.
Philadelphia, Pennsylvania

Opinion

We have audited the financial statements of Kimmel Center, Inc., which comprise the statement of financial position as of August 31, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kimmel Center, Inc. as of August 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kimmel Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kimmel Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Forvis Mazars, LLP

**Fort Washington, Pennsylvania
February 17, 2025**

Kimmel Center, Inc.
Statement of Financial Position
August 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 11,045,816
Restricted cash	11,242,060
Accounts receivable, net of allowance of \$213,504	1,619,444
Current portion of contributions receivable, net	6,109,614
Current portion of unconditional promises to give to endowment, net	6,120
Due from Ticket Philadelphia joint venture	2,642,362
Prepaid expenses and other current assets	1,525,983

Total Current Assets 34,191,399

Property, Buildings, and Equipment

Land and land rights, net	17,946,661
Buildings, improvements, and equipment, net	127,736,292

Total Property, Buildings, and Equipment 145,682,953

Noncurrent Endowment Funds

Investments, controlled by the Center	55,390,272
Investments, held by third parties	18,350,007

Total Noncurrent Endowment Funds 73,740,279

Other Assets

Non-current portion of contributions receivable, net	2,000,632
Investment in Ticket Philadelphia joint venture	2,427,497
Investment in management service companies	203,975
Charitable remainder trusts	210,432

Total Other Assets 4,842,536

Total Assets \$ 258,457,167

Kimmel Center, Inc.
Statement of Financial Position
August 31, 2024

(Continued)

LIABILITIES AND NET ASSETS

Current Liabilities

Current portion of notes payable	\$ 139,025
Accounts payable and accrued expenses	7,516,860
Contract liabilities	15,801,924

Total Current Liabilities 23,457,809

Notes payable	4,500,152
Other liabilities	138,903

Total Liabilities 28,096,864

Commitments and Contingencies

Net Assets

Without donor restrictions	
Undesignated	(10,309,709)
Net investment in property, building and equipment	145,543,928

135,234,219

With donor restrictions	
Time and purpose restrictions	21,258,084
Endowment funds	73,868,000

95,126,084

Total Net Assets 230,360,303

Total Liabilities and Net Assets \$ 258,457,167

Kimmel Center, Inc.
Statement of Activities
Year Ended August 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains, and Other Support			
Performances and events	\$ 57,182,947	\$ -	\$ 57,182,947
Contributions, sponsorships and memberships	4,301,866	3,753,001	8,054,867
Investment income, net	773,634	10,588,086	11,361,720
Gain from investment in joint venture	1,992,832	-	1,992,832
Other	3,624,600	-	3,624,600
Net assets released from restrictions			
Endowment draws	4,016,869	(4,016,869)	-
Reclassification of endowment spend	2,643,848	(2,643,848)	-
Satisfaction of time and purpose restrictions	6,842,188	(6,842,188)	-
Total Revenue, Gains, and Other Support	<u>81,378,784</u>	<u>838,182</u>	<u>82,216,966</u>
Expenses			
Program services			
Performances and events	42,307,587	-	42,307,587
Event facilities	29,924,925	-	29,924,925
Education and outreach	803,560	-	803,560
	<u>73,036,072</u>	<u>-</u>	<u>73,036,072</u>
Support services			
Marketing and communications	2,897,634	-	2,897,634
Management, administration, and general	6,252,748	-	6,252,748
Fundraising	3,165,181	-	3,165,181
	<u>12,315,563</u>	<u>-</u>	<u>12,315,563</u>
Total Expenses	<u>85,351,635</u>	<u>-</u>	<u>85,351,635</u>
Transfer to POKC - Administrative Expenses of Subsidiary	(1,430,935)	-	(1,430,935)
Transfer From POKC - Income Allocation to Cover Expenses	<u>1,430,935</u>	<u>-</u>	<u>1,430,935</u>
Change in Net Assets	(3,972,851)	838,182	(3,134,669)
Net Assets, Beginning of Year	<u>139,207,070</u>	<u>94,287,902</u>	<u>233,494,972</u>
Net Assets, End of Year	<u>\$ 135,234,219</u>	<u>95,126,084</u>	<u>\$ 230,360,303</u>

Kimmel Center, Inc.
Statement of Functional Expenses
Year Ended August 31, 2024

	Program Services			Supporting Services			Total
	Performances and Events	Event Facilities	Education and Outreach	Marketing and Communication	Management, Administration and General	Fundraising	
Payroll	12,774,014	7,039,700	651,739	2,394,676	1,155,992	1,841,013	25,857,134
Advertising expenses	4,008,065	94,336	-	-	-	14,771	4,117,172
Bad debts	-	-	-	-	963,296	-	963,296
Depreciation and amortization	-	9,736,622	-	-	-	-	9,736,622
Event expenses	18,952,500	-	121,511	1,250	-	398,562	19,473,823
Interest	-	175,585	-	-	-	-	175,585
Management fee	-	-	-	-	935,210	-	935,210
Maintenance and repairs	-	4,054,271	-	-	-	-	4,054,271
Miscellaneous expenses	51,137	1,046,894	6,238	161,394	16,663	265,343	1,547,669
Office expenses	791,216	110,490	24,072	320,739	2,200,218	87,675	3,534,410
Professional and service fees	5,154,487	6,190,995	-	19,575	981,336	557,817	12,904,210
Rent and utilities	576,168	1,476,032	-	-	33	-	2,052,233
	<u>42,307,587</u>	<u>29,924,925</u>	<u>803,560</u>	<u>2,897,634</u>	<u>6,252,748</u>	<u>3,165,181</u>	<u>85,351,635</u>

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

Kimmel Center, Inc.
Statement of Cash Flows
Year Ended August 31, 2024

Operating Activities

Change in net assets	\$ (3,134,669)
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	9,736,622
Bad debt expense	963,296
Endowment contributions received	(520,510)
Income from investment in joint venture	(1,992,832)
Net unrealized and realized gains on investments	(9,494,776)
Loss on other investments	1,250
Increase (decrease) in cash resulting from changes in operating assets and liabilities	
Accounts receivable	(883,332)
Contributions receivable	4,519,300
Unconditional promises to give, net	29,480
Due from Ticket Philadelphia joint venture	8,899,641
Prepaid expenses and other current assets	(879,931)
Accounts payable and accrued expenses	(1,370,459)
Advanced ticket sales	(725,065)
Deferred revenue	(595,960)

Net Cash Provided by Operating Activities

4,552,055

Investing Activities

Purchases of building, equipment and construction in process	(7,951,895)
Purchase of endowment fund investments	(1,093,310)
Investment sales to fund endowment draw	6,964,674
Distribution from joint venture	1,093,462

Net Cash Used in Investing Activities

\$ (987,069)

Kimmel Center, Inc.
Statement of Cash Flows
Year Ended August 31, 2024

(Continued)

Financing Activities	
Payments on notes payable	\$ (131,502)
Endowment contributions received	<u>520,510</u>
Net Cash Provided by Financing Activities	<u>389,008</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	3,953,994
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>18,333,882</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 22,287,876</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u>\$ 175,585</u>

Note 1. Nature of Organization

Kimmel Center, Inc. (“Center”) is a nonprofit corporation established to operate the Kimmel Center located at Broad and Spruce Streets in Philadelphia, Pennsylvania, which opened in December 2001. The Kimmel Center consists of a concert hall (“Verizon Hall”) and a smaller recital theater (“Perelman Theater”) that are rented to the Philadelphia Orchestra (“Orchestra”) and several other Resident Companies (see Note 13). In addition, the Center operates the Academy of Music (“Academy”), which is home to Opera Philadelphia (“Opera”) and The Pennsylvania Ballet (“Ballet”), and the Miller Theater. The venues of the Kimmel Center, the Academy and the Miller Theater are also rented to third-party customers for various types of performances and events. Rental revenue is included in performances and events revenue on the statement of activities for the year ended August 31, 2024.

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

On June 8, 2024, Verizon Hall at the Kimmel Center for the Performing Arts was rededicated and renamed as the Marian Anderson Hall to honor the legendary contralto, civil rights icon and Philadelphian.

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

In June 2021, The Center and The Philadelphia Orchestra announced that the two organizations will join forces to form a new parent company, *The Philadelphia Orchestra and Kimmel Center, Inc.* This structure will strengthen business operations and enable more flexible scheduling and collaborative partnerships across the Philadelphia performing arts community. This transaction was finalized on December 3, 2021. Each organization will remain intact as subsidiaries of the parent organization.

In January 2024, the Center rolled out the Ensemble Arts Philly brand to improve clarity to the audience experience. This new brand represents a wide variety of signature genres including Broadway, comedy, jazz, dance, and family across the three venues: The Kimmel Center, Inc. for the performing Arts, the Academy for music and the Miller Theater. The Center has registered “Ensemble Arts Philly” as a d/b/a.

Note 2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Kimmel Center, Inc.
Notes to Financial Statements
Year Ended August 31, 2024

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

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

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires measuring all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Since its original issuance in 2016, the FASB issued several additional ASUs, amending certain aspects of ASU 2016-13.

The Center adopted the new accounting standard and all related amendments effective September 1, 2023. Adoption of ASU 2016-13 did not have a material effect on the Center's financial position or results of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Restricted Cash

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

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

Cash and cash equivalents	\$ 11,045,816
Restricted cash	<u>11,242,060</u>
Total cash and cash equivalents and restricted cash	<u><u>\$ 22,287,876</u></u>

Kimmel Center, Inc.
Notes to Financial Statements
Year Ended August 31, 2024

Accounts Receivable

The Center carries its accounts receivable at cost less an allowance for credit losses. Management evaluates its accounts receivable and establishes an allowance for credit losses based on communications from payers, payment history, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Accounts receivable are written off against the allowance when management determines that recovery is unlikely and the Center ceases its collection efforts.

Investments

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

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

Land and Land Rights

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

Buildings, Improvements, and Equipment

Buildings, improvements, and equipment, except for donated assets, over \$1,000 are stated at cost and depreciated on a straight-line basis over the estimated useful life. At the time the assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposition is credited or charged to changes in unrestricted net assets. The Center's buildings are depreciated on a straight-line basis over an estimated useful life of 40 year and the equipment and leasehold improvements are depreciated over estimated useful lives of 3 to 40 year. Repair and maintenance costs are expensed when incurred.

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

Fine Art

Pieces of fine art are recorded at cost and not depreciated and are included in buildings, improvements, and equipment. Items added to the collections are capitalized at cost if purchased, or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as gains or losses with or without donor restrictions depending on donor stipulations, if any, placed on the items at the time of acquisition.

Net Assets Restricted for Time and Purpose

Net assets restricted for time and purpose represent contributions restricted by donors to a specific time period or purpose. Net appreciation in excess of amounts appropriate for expenditure of permanently restricted investments is recognized within net assets with donor restrictions until such monies are drawn from the endowment in accordance with the spending policy (Note 6).

Net Assets Restricted for Endowment Purpose

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

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

Revenue Recognition

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

Other Revenue

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

Contributions

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

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated services totaled \$206,344 for the year ended August 31, 2024.

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

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

Kimmel Center, Inc.
Notes to Financial Statements
Year Ended August 31, 2024

Advertising Costs

Advertising costs for direct-response advertising used to elicit sales to customers for performances in future fiscal years are capitalized and amortized as the expected future revenues are earned. Other advertising costs are expensed as incurred. Advertising costs for the year ended August 31, 2024 were \$7,130,217, which are included in payroll and advertising expenses on the statement of functional expenses. Capitalized advertising totaled \$328,039 at August 31, 2024.

Income Taxes

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

Note 3. Liquidity and Availability

The Center's financial assets available within one year of the statement of financial position date for general expenditures as of August 31, 2024 are as follows:

Cash and cash equivalents	\$ 11,045,816
Restricted cash	11,242,060
Accounts receivable, net	1,619,444
Current portion of contribution receivables	6,115,734
Due from Ticket Philadelphia joint venture	<u>2,642,362</u>
Financial assets available within one year	<u>32,665,416</u>
Add: Line of credit availability	5,000,000
Add: Estimated endowment payout for year ended August 31, 2025	3,696,569
Less: Donor-imposed restrictions	<u>(21,258,084)</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 20,103,901</u></u>

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

Note 4. Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

- Level 1 short-term investments and endowment investments in debt and equity securities are valued using quoted market prices in an active market.
- Level 3 underlying investments of the Center's beneficial interest in trust include equity securities, fixed income securities and alternative investments. The interests in the trusts are valued using a market approach.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Kimmel Center, Inc.
Notes to Financial Statements
Year Ended August 31, 2024

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of August 31, 2024. Included in the table, are the amounts classified in the statements of financial position as (1) noncurrent endowment funds - investments controlled by the Center and (2) noncurrent endowment funds – investments held by third parties, which collectively consist of short-term investments and investments in debt and equity securities.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
August 31, 2024			
Cash and cash equivalents	\$ 1,679,081	\$ -	\$ 1,679,081
Mutual funds - fixed income	8,652,415	-	8,652,415
Mutual funds - equities	32,028,636	-	32,028,636
Beneficial interests in trusts	-	6,515,517	6,515,517
	<u>42,360,132</u>	<u>6,515,517</u>	<u>48,875,649</u>
Total investments in the fair value hierarchy			48,875,649
Limited partnerships - global equity, measured at net asset value (a)			11,689,635
Hedge funds, measured at net asset value (a)			2,713,140
Private equities, measured at net asset value (a)			10,461,855
	<u>\$ 42,360,132</u>	<u>\$ 6,515,517</u>	<u>\$ 73,740,279</u>
Total investments at fair value			

- (a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. The practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reporting NAV. Purchases and sales may occur daily. There are no redemption restrictions. Unfunded commitments totaled \$4,758,564. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

Fair value measurement using significant unobservable inputs Level 3:

Balance - September 1, 2023	\$ 6,199,914
Unrealized gains on investments	<u>315,603</u>
Balance - August 31, 2024	<u>\$ 6,515,517</u>

Investment income is stated net of investment expense of \$341,786 for the year ended August 31, 2024.

Kimmel Center, Inc.
Notes to Financial Statements
Year Ended August 31, 2024

Note 5. Net Assets Restricted for Time and Purpose

Net assets restricted for time and purpose as of August 31, 2024 include and are available for the following:

Performance sponsorships	\$ 739,423
Capital improvements	<u>20,518,661</u>
Total	<u><u>\$ 21,258,084</u></u>

Note 6. Net Assets Restricted for Endowment

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

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

For the year ended August 31, 2024, the spending rate approved by the Board of Directors was 5.67%. The remainder is invested with the endowment as board designated funds.

The Center recognizes the original donations and certain investment returns as net assets with donor restrictions. Net investment gains eligible for expenditure in accordance with the spending rule are recorded as time and purpose restricted net assets. Occasionally, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while others are unaffected to the same extent and maintain or exceed the level required. As of August 31, 2024, the original donor restricted endowment fund totaled \$60,760,455, with their current fair value of \$67,224,762. As of August 31, 2024, the aggregate amount of surplus, reported in net assets with donor restrictions, endowment funds, was \$6,464,307.

Changes in endowment net assets consisted of the following for the year ended August 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, August 31, 2023	\$ 3,347,942	\$ 66,807,025	\$ 70,154,967
Net earnings and appreciation, net	119,847	10,557,334	10,677,181
Contributions	-	520,510	520,510
Endowment draw	<u>(3,467,789)</u>	<u>(4,016,869)</u>	<u>(7,484,658)</u>
Endowment assets, August 31, 2024	<u><u>\$ -</u></u>	<u><u>\$ 73,868,000</u></u>	<u><u>\$ 73,868,000</u></u>

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The board restricted endowment funds were liquidated during the year ended August 31, 2024 and used to fund operations.

Net assets restricted for endowment, which are all donor-restricted, consisted of the following for the year ended August 31, 2024:

Investments, controlled by the Center	\$ 55,390,272
Investments, held by third parties	18,350,007
Unconditional promises to give, net	6,120
Cash	<u>121,601</u>
 Total funds	 <u><u>73,868,000</u></u>

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

Note 7. Contributions Receivable

The Center has received unconditional promises to give which are receivable over the next five year. These receivables have been discounted at rates ranging from 2.5% to 3.5%. The amounts due consisted of the following at August 31, 2024:

<u>Due in Years Ending August 31,</u>	
2025	\$ 6,109,614
2026	2,937,129
2027	5,000
2028	<u>5,000</u>
 Total contributions receivable	 9,056,743
 Less: discount to net present value	 (627,527)
Less: allowance for doubtful accounts	<u>(318,970)</u>
 Net contributions receivable	 8,110,246
 Less: current portion, net	 <u>(6,109,614)</u>
 Non-current portion, net	 <u><u>\$ 2,000,632</u></u>

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Notes to Financial Statements
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Note 8. Investment in Joint Venture

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

The investment in the Venture totaled \$2,427,497 at August 31, 2024. The Center’s share of the Venture’s net income was \$1,992,832 for 2024. The net amount due from the Venture totaled \$2,642,362 at August 31, 2024.

Note 9. Land and Land Rights

The City of Philadelphia (“City”), through the Philadelphia Authority for Industrial Development (“Authority”), acquired land for the Center to construct the concert hall. Land rights are recorded at their total acquisition cost and are presented in the statement of financial position, net of accumulated amortization at August 31, 2024. Land rights are being amortized on a straight-line basis over the 71-year remaining life of the lease which commenced when the building was placed into service in December 2001. Amortization expense was \$228,830 for the year ended August 31, 2024.

Land and land rights consisted of the following at August 31, 2024:

Land	\$ 2,777,120
Land rights	<u>20,365,895</u>
Total	23,143,015
Less: accumulated amortization	<u>(5,196,354)</u>
Land and land rights, net	<u><u>\$ 17,946,661</u></u>

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

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Note 10. Buildings, Improvements, and Equipment

Buildings, improvements, and equipment consisted of the following at August 31, 2024:

Buildings	\$ 252,786,770
Equipment	24,625,274
Leasehold improvements	5,110,603
Construction in process	<u>6,402,462</u>
Total	288,925,109
Less: accumulated depreciation	<u>(161,188,817)</u>
Buildings, improvements and equipment, net	<u><u>\$ 127,736,292</u></u>

Depreciation expense was \$9,507,792 for the year ended August 31, 2024.

Note 11. Lines of Credit and Notes Payable

In September 2023, the Center obtained a new \$5,000,000 revolving loan agreement (“Line of Credit”) for working capital purposes which is a pay-on-demand Note. The interest rate on the new Line of Credit is the current SOFR rate plus 2.25%. The loan is collateralized by substantially all of the Center’s assets, excluding real estate and the endowment. There were no outstanding balances under the Line of Credit at August 31, 2024. There was no interest expense incurred on the Line of Credit for the year ended August 31, 2024.

In November 2016, the Center entered into a \$5,000,000 mortgage payable for the purchase of the Miller Theater. Interest only payments of 3.58% were to be made monthly for the first 60 months of the note; after 60 months, consecutive level monthly installments of \$25,246, with one balloon payment of \$4,383,604 payable in November 2026. Interest expense on the note was \$171,452 for the year ended August 31, 2024.

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

<u>For the Years Ending August 31,</u>	
2025	\$ 139,025
2026	116,548
2027	<u>4,383,604</u>
Total	<u><u>\$ 4,639,177</u></u>

Note 12. Leases

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

Note 13. Other Agreements

Resident Company Agreements

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

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

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

<u>For the Years Ending August 31,</u>	
2025	\$ 1,989,499
2026	2,019,342
2027	2,049,632
	<hr/>
	\$ 6,058,473
	<hr/>

Total rental income was \$3,121,215 for 2024.

Parking Agreement

The Center has an agreement with a third party to manage an underground parking garage with approximately 135 spaces located beneath the Center through August 2025. Pursuant to this agreement, the Center pays a base management fee of \$7,123 per month, with a 3% per year increase for the duration of the agreement. Additional incentive management fees are payable upon reaching a required net operating income level. For the year ended August 31, 2024, no incentive management fees were incurred.

Concessionary Agreements

In May 2024, the Center, through its affiliation with The Philadelphia Orchestra and Kimmel Center, Inc. (“POKC”), its parent company, entered into an agreement with a new concessionaire to provide certain food, beverage, and concession services whereby the concessionaire has sole and exclusive rights to operate the food and beverage concessions at the Center and to provide catering services at the Center, subject to certain exceptions as set forth in the agreement. The initial term of the agreement is through June 2031. Existing food and beverage equipment as of the effective date of the agreement was provided by the Center to the concessionaire for its use in connection with the provision of its concession services. Repairs and replacements of certain equipment were performed by the Center as part of this arrangement, but those amounts were not material to the financial statements for the year ending August 31, 2024. As part of the agreement, the concessionaire will invest up to \$2,250,000 to be used towards the purchase by concessionaire of certain mutually agreed upon food and beverage equipment and improvements. Concessionaire will amortize their investment balance on a straight-line basis over the initial term and provide a quarterly update to the Center as to the unamortized investment balance. Upon expiration of the term or in the event the agreement is terminated earlier by either party, the Center will pay the concessionaire an amount equal to the unamortized investment balance. As of August 31, 2024, the unamortized investment balance was \$2,000,000 and these purchases are considered lessee-owned leasehold improvements by the Center in accordance with ASC 842 wherein the Center is the lessor of the purchased food and beverage equipment and improvements over the agreement term and the concessionaire is the lessee.

Note 14. Related Party

The Center has allocated certain administrative expenses to POKC, that have been determined to benefit POKC and its subsidiaries as a whole. The Center has also allocated income to POKC which will offset the administrative expenses. The expenses consist of a portion of compensation and other administrative expenses related to POKC’s executive, finance, human resources, and development departments based on reasonable methodology and expense categories as determined in POKC’s Form 1023. The amount allocated for the year ended August 31, 2024 was \$1,430,935.

Amounts due from POKC at August 31, 2024 are \$280,000.

Members of the Center’s Board of Directors contributed to the annual fund of the Center totaling \$309,448 in 2024.

Note 15. Collective Bargaining Agreements

The Center’s ticket sellers, ushers, stagehands, receiving personnel and wardrobe attendants are subject to various union contracts expiring through June 2029. The Center contributes to a multiemployer benefit plan for its union employees at rates determined by a collective bargaining agreement. The plan’s trustees determine the eligibility and allocations of contributions and benefit amounts, determine the types of benefits, and administer the plan.

The Center contributed \$1,646,249 to the multiemployer pension plan for the year ended August 31, 2024.

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

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

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- If a participating employer chooses to stop participating in the plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

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

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

During the year ended August 31, 2024, the Center made annual contributions to one pension plan, covering approximately 57%, of the Center's employees. The Center was not listed in the plan's Form 5500 as providing more than 5% of the plan's total contributions. The Center's participation in the multiemployer plan for the year ended August 31, 2024 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three digit plan number. The "Pension Protection Act Zone Status" column is based on the latest information that we received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The "Collective Bargaining Agreement Expiration Date" column lists the expiration date of the collection bargaining agreement to which the plan is subject.

Union plan information for the year ended August 31, 2024, is as follows:

<u>Union Name</u>	<u># of Plan</u>	<u>Pension Protection Act Zone Status</u>	<u>FIP/RP Status Pending or Implemented</u>	<u>Surcharge Imposed</u>	<u>Collective Bargaining Agreement Expiration Date</u>	<u>Contribution of the Center</u>
I.A.T.S.E National Pension Fund	13-1849172 /001	Green as of 12/31/2023	No	No	June 2029	\$ 1,646,249

The Center also participates in a multi-employer health and welfare plan, and the expense was \$1,111,407 for the year ended August 31, 2024.

Note 16. Contingencies

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

Note 17. Retirement Plan

Effective on June 1, 2023 and through its affiliation with POKC, the Center's eligible employees participate in a retirement plan sponsored by POKC. The retirement plan is a non-contributory, defined contribution pension plan covering all staff and musicians of the Center. All staff and musicians are eligible to participate in the retirement plan upon hire. The Center contributes 5% - 8% of compensation each pay period to employees classified as

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staff. 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. Contributions to the retirement plan for the Center's employees was \$689,639 for the year ended August 31, 2024.

Note 18. Concentrations of Credit Risk

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

Note 19. Subsequent Events

The Center evaluated its August 31, 2024, financial statements for subsequent events through February 17, 2025, the date the financial statements were available to be issued.