

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

The Philadelphia Orchestra Association

August 31, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Philadelphia Orchestra Association

Opinion

We have audited the consolidated financial statements of The Philadelphia Orchestra Association and its wholly owned subsidiary, The Academy of Music Philadelphia, Inc. (collectively the "Association"), which comprise the consolidated statements of financial position as of August 31, 2025 and 2024, 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, 2025 and 2024, 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). 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 available to be 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2025 and 2024 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
February 9, 2026

The Philadelphia Orchestra Association

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31,
(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 14,975	\$ 16,801
Trade accounts receivable, net	2,284	2,503
Due from related parties	-	151
Prepaid expenses and other assets	2,804	2,650
Pledges receivable, net	16,813	19,634
Notes receivable	100	260
Investments	250,703	229,498
Beneficial interests in trusts	7,817	7,885
Right-of-use asset, net	3,731	5,570
Property and equipment, net	<u>26,578</u>	<u>28,322</u>
Total assets	<u>\$ 325,805</u>	<u>\$ 313,274</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 498	\$ 937
Accrued expenses and other liabilities	633	1,883
Due to related parties	266	-
Deferred revenue	6,831	5,993
Annuities payable	2,203	2,441
Lease liability	3,923	5,772
Accrued postretirement benefit obligation	<u>9,491</u>	<u>7,649</u>
Total liabilities	<u>23,845</u>	<u>24,675</u>
Net assets		
Without donor restrictions	35,582	37,466
With donor restrictions	<u>266,378</u>	<u>251,133</u>
Total net assets	<u>301,960</u>	<u>288,599</u>
Total liabilities and net assets	<u>\$ 325,805</u>	<u>\$ 313,274</u>

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

The Philadelphia Orchestra Association
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended August 31, 2025
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Performance revenue			
Philadelphia concerts	\$ 8,322	\$ -	\$ 8,322
Other concerts	7,647	-	7,647
Tours	2,469	-	2,469
Recording, radio and television	197	-	197
Total performance revenue	<u>18,635</u>	<u>-</u>	<u>18,635</u>
Performance expense			
Orchestra and concert production	41,607	-	41,607
Concert promotion expenses	2,407	-	2,407
Recording, radio and television	282	-	282
Total performance expense	<u>44,296</u>	<u>-</u>	<u>44,296</u>
Performance deficit	<u>(25,661)</u>	<u>-</u>	<u>(25,661)</u>
Other operating revenue			
Annual public support	15,019	5,814	20,833
Volunteer project revenue	438	667	1,105
Spending policy draw, designated for current operations	12,862	-	12,862
Income from beneficial interests in trusts	387	-	387
Revenue allocated from POKC	1,682	-	1,682
Other revenues	666	-	666
Gifts in kind	8	-	8
Equity gain in joint venture	788	-	788
Net assets released from restrictions			
Satisfaction of program restrictions	5,174	(5,174)	-
Satisfaction of time restrictions	4,162	(4,162)	-
Total other operating revenue	<u>41,186</u>	<u>(2,855)</u>	<u>38,331</u>
Other operating expense			
Fundraising expenses			
Annual fundraising	2,158	-	2,158
Global initiatives and government relations	371	-	371
Volunteer project	364	-	364
Total fundraising expenses	<u>2,893</u>	<u>-</u>	<u>2,893</u>
Management and general			
Administrative expense	10,325	-	10,325
Bad debt expense	209	-	209
Depreciation	629	-	629
Total management and general	<u>11,163</u>	<u>-</u>	<u>11,163</u>
Total other operating expense	<u>14,056</u>	<u>-</u>	<u>14,056</u>
Transfer to POKC - administrative expenses of subsidiary (see Note O)	<u>(1,470)</u>	<u>-</u>	<u>(1,470)</u>
Change in net assets from operating activities	<u>(1)</u>	<u>(2,855)</u>	<u>(2,856)</u>
Nonoperating activity			
Endowment contributions	-	2,259	2,259
Investment return, net of spending policy draw	696	15,471	16,167
Spending policy draw, designated for Academy of Music	1,206	-	1,206
Academy of Music revenue	1,256	853	2,109
Academy of Music expense, including depreciation of \$2,513	(3,905)	-	(3,905)
Net assets released from restrictions - Academy of Music	483	(483)	-
Endowment campaign expenses	(364)	-	(364)
Other changes in postretirement benefit obligation	(1,255)	-	(1,255)
Total nonoperating (expense) revenue	<u>(1,883)</u>	<u>18,100</u>	<u>16,217</u>
CHANGE IN NET ASSETS	<u>(1,884)</u>	<u>15,245</u>	<u>13,361</u>
Net assets, beginning	<u>37,466</u>	<u>251,133</u>	<u>288,599</u>
Net assets, ending	<u>\$ 35,582</u>	<u>\$ 266,378</u>	<u>\$ 301,960</u>

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

The Philadelphia Orchestra Association
CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended August 31, 2024
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Performance revenue			
Philadelphia concerts	\$ 7,067	\$ -	\$ 7,067
Other concerts	9,696	-	9,696
Tours	2,932	-	2,932
Recording, radio and television	308	-	308
Total performance revenue	<u>20,003</u>	<u>-</u>	<u>20,003</u>
Performance expense			
Orchestra and concert production	42,241	-	42,241
Concert promotion expenses	1,844	-	1,844
Recording, radio and television	705	-	705
Total performance expense	<u>44,790</u>	<u>-</u>	<u>44,790</u>
Performance deficit	<u>(24,787)</u>	<u>-</u>	<u>(24,787)</u>
Other operating revenue			
Annual public support	17,529	5,276	22,805
Volunteer project revenue	162	449	611
Spending policy draw, designated for current operations	13,018	-	13,018
Income from beneficial interests in trusts	303	-	303
Revenue allocated from POKC	751	-	751
Other revenues	3,442	-	3,442
Gifts in kind	221	-	221
Equity gain in joint venture	489	-	489
Academy event revenue, net	20	-	20
Net assets released from restrictions			
Satisfaction of program restrictions	5,255	(5,255)	-
Satisfaction of time restrictions	3,620	(3,620)	-
Total other operating revenue	<u>44,810</u>	<u>(3,150)</u>	<u>41,660</u>
Other operating expense			
Fundraising expenses			
Annual fundraising	1,948	-	1,948
Global initiatives and government relations	358	-	358
Volunteer project	255	-	255
Total fundraising expenses	<u>2,561</u>	<u>-</u>	<u>2,561</u>
Management and general			
Administrative expense	16,158	-	16,158
Bad debt expense	751	-	751
Depreciation	554	-	554
Total management and general	<u>17,463</u>	<u>-</u>	<u>17,463</u>
Total other operating expense	<u>20,024</u>	<u>-</u>	<u>20,024</u>
Transfer to POKC - administrative expenses of subsidiary (see Note O)	3,301	-	3,301
Transfer from POKC - income allocation to cover expenses (see Note O)	(3,301)	-	(3,301)
Change in net assets from operating activities	<u>(1)</u>	<u>(3,150)</u>	<u>(3,151)</u>
Nonoperating activity			
Endowment contributions	-	5,973	5,973
Investment return, net of spending policy draw	634	22,521	23,155
Spending policy draw, designated for Academy of Music	851	-	851
Academy of Music revenue	1,498	-	1,498
Academy of Music expense, including depreciation of \$2,441	(4,329)	-	(4,329)
Net assets released from restrictions - Academy of Music	50	(50)	-
Endowment campaign expenses	-	(412)	(412)
Other changes in postretirement benefit obligation	(537)	-	(537)
Total nonoperating (expense) revenue	<u>(1,833)</u>	<u>28,032</u>	<u>26,199</u>
CHANGE IN NET ASSETS	<u>(1,834)</u>	<u>24,882</u>	<u>23,048</u>
Net assets, beginning	<u>39,300</u>	<u>226,251</u>	<u>265,551</u>
Net assets, ending	<u>\$ 37,466</u>	<u>\$ 251,133</u>	<u>\$ 288,599</u>

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)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,361	\$ 23,048
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	3,142	2,995
Provision for bad debt expense	209	751
Equity earnings in joint venture	(788)	(489)
Endowment contributions received	(2,259)	(5,973)
Net realized and unrealized gain on investments	(23,933)	(30,302)
Change in beneficial interests in trusts	68	(880)
Other changes in postretirement benefit obligation	(1,255)	(537)
Changes in assets and liabilities:		
Trade accounts receivable	219	1,513
Prepaid expenses and other assets	424	(235)
Pledges receivable	2,612	472
Right-of-use asset, net	1,839	1,897
Accounts payable, accrued expenses and other liabilities	(1,423)	(119)
Deferred revenue	838	253
Annuities payable	(238)	1,254
Lease liability	(1,849)	(1,851)
Accrued postretirement benefit obligation	3,097	932
	<u>(5,936)</u>	<u>(7,271)</u>
Net cash and cash equivalents used in operating activities		
Cash flows from investing activities:		
Purchases of investments	(48,743)	(158,990)
Proceeds from sales of investments	51,471	161,572
Purchases of property and equipment	(1,398)	(3,179)
Distribution from joint venture	361	-
Repayments of employee loans	160	120
	<u>1,851</u>	<u>(477)</u>
Net cash and cash equivalents provided by (used) in investing activities		
Cash flows from financing activities:		
Endowment contributions received	2,259	5,973
	<u>2,259</u>	<u>5,973</u>
Net cash and cash equivalents provided by financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,826)</u>	<u>(1,775)</u>
Cash and cash equivalents, beginning of year	<u>16,801</u>	<u>18,576</u>
Cash and cash equivalents, end of year	<u>\$ 14,975</u>	<u>\$ 16,801</u>
Supplemental cash flow data:		
Change in accrued construction expenses	<u>\$ 195</u>	<u>\$ -</u>

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

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2025 and 2024

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”), d/b/a Ensemble Arts Philly, 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, entered into a Partnership and Affiliation Agreement on October 21, 2021, that enabled 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”), d/b/a Philadelphia Orchestra and Ensemble Arts. POKC serves as the common controlling member/parent of the Orchestra and KCI, with full representation from the original Association and KCI boards.

The Association and KCI will remain separate legal entities, each operating as tax-exempt organizations, and continue to operate in accordance with and to further each of their respective tax-exempt missions 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 and 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.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 Trustees. Approximately \$5,522,000 and \$5,190,000 of the Association's net assets without donor restrictions as of August 31, 2025 and 2024, respectively, have been designated by the Board of Trustees 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. The estimated fair value of alternative investments for which quoted market prices are not available is based upon net asset value ("NAV") as a practical expedient, which is provided by external investment managers as of August 31, 2025 and 2024. 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.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

At August 31, 2025 and 2024, the alternative investment exposure to any product and/or manager did not exceed 10% 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.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

Notes Receivable

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, 2025 and 2024, the outstanding balance on the loan was \$0 and \$60,000, 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, 2025 and 2024, the outstanding balance on the loan was \$100,000 and \$200,000, respectively.

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 August 31, 2025 and 2024 was approximately \$311,000.

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

Trade Accounts Receivable

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 Credit Losses

The allowance for credit losses 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 credit losses.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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, 2025 and 2024 (in thousands):

	2025	2024
Philadelphia concerts	\$ 8,322	\$ 7,067
Education series	264	220
Other Philadelphia concerts	3,901	4,797
Contracted services - runouts	450	1,833
Residencies and touring	5,501	5,778
Recording, radio and television	197	308
Shared services and other	666	3,442
Total earned revenue	<u>\$ 19,301</u>	<u>\$ 23,445</u>

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

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 credit losses on 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.

Leases

In accordance with Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*, the Association recognizes a right-of-use ("ROU") asset and lease liability for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Association has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Association will not recognize ROU assets or lease liabilities.

Reclassifications

Certain reclassifications have been made to prior year amounts in the consolidated financial statements to conform to current year presentation. These reclassifications had no impact on the Association's assets, liabilities, or change in net assets.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

NOTE C - PLEDGES RECEIVABLE

Pledges receivable at August 31, 2025 and 2024 are expected to be collected as follows (in thousands):

	2025			Total
	Operating Fund	Academy of Music	Endowment Fund	
Due within				
One year	\$ 5,900	\$ 569	\$ 1,056	\$ 7,525
Two to five years	5,385	-	5,225	10,610
After five years	-	-	105	105
Total pledges receivable	11,285	569	6,386	18,240
Less: allowance for uncollectible pledges	(42)	(10)	(10)	(62)
Subtotal	11,243	559	6,376	18,178
Less: unamortized discount	(882)	-	(483)	(1,365)
Net present value of pledges receivable	\$ 10,361	\$ 559	\$ 5,893	\$ 16,813
Activity during year				
Balance, beginning of year	\$ 9,828	\$ 93	\$ 9,713	\$ 19,634
Cash received	(11,325)	(623)	(3,890)	(15,838)
New pledges received	12,720	1,086	(182)	13,624
Bad debt expense	(209)	-	-	(209)
Amortization of discount	(653)	3	252	(398)
Balance, end of year	\$ 10,361	\$ 559	\$ 5,893	\$ 16,813

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

	2024			
	Operating Fund	Academy of Music	Endowment Fund	Total
Due within				
One year	\$ 7,873	\$ 56	\$ 2,432	\$ 10,361
Two to five years	2,725	50	7,527	10,302
After five years	-	-	500	500
Total pledges receivable	10,598	106	10,459	21,163
Less: allowance for uncollectible pledges	(542)	(10)	(10)	(562)
Subtotal	10,056	96	10,449	20,601
Less: unamortized discount	(228)	(3)	(736)	(967)
Net present value of pledges receivable	<u>\$ 9,828</u>	<u>\$ 93</u>	<u>\$ 9,713</u>	<u>\$ 19,634</u>
Activity during year				
Balance, beginning of year	\$ 13,039	\$ 182	\$ 7,636	\$ 20,857
Cash received	(11,923)	(236)	(2,573)	(14,732)
New pledges received	9,157	142	4,745	14,044
Bad debt expense	(500)	-	-	(500)
Amortization of discount	55	5	(95)	(35)
Balance, end of year	<u>\$ 9,828</u>	<u>\$ 93</u>	<u>\$ 9,713</u>	<u>\$ 19,634</u>

The Association uses fair value rates ranging from 4.79% - 6.54% to discount its pledges receivable.

NOTE D - INVESTMENTS

At August 31, 2025 and 2024, the fair value of investments was as follows (in thousands):

	2025	2024
Cash equivalents	\$ 7,785	\$ 5,658
Mutual funds - fixed income	23,347	28,942
Mutual funds - equities	112,739	127,896
Alternative investments:		
Limited partnership - public equity	54,172	44,916
Hedge funds	34,161	10,700
Fixed income	5,919	2,602
Private equity funds	12,580	8,784
Total fair value of investments	<u>\$ 250,703</u>	<u>\$ 229,498</u>

The above amounts include approximately \$30,246,000 and \$28,422,000 of endowment funds for the benefit of the Academy at August 31, 2025 and 2024, respectively.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 \$7,817,000 and \$7,885,000 on August 31, 2025 and 2024, 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, 2025 and 2024, 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, 2025				Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV	
Investments					
Cash equivalents	\$ 7,785	\$ -	\$ -	\$ -	\$ 7,785
Mutual funds - fixed income	23,347	-	-	-	23,347
Mutual funds - equities	112,739	-	-	-	112,739
Alternative investments:					
Limited partnership - public equity	-	-	-	54,172	54,172
Hedge funds	-	-	-	34,161	34,161
Fixed income	-	-	-	5,919	5,919
Private equity funds	-	-	-	12,580	12,580
Total investments	143,871	-	-	106,832	250,703
Beneficial interests in trusts	-	-	7,817	-	7,817
Total assets	\$ 143,871	\$ -	\$ 7,817	\$ 106,832	\$ 258,520

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

	Assets at Fair Value at August 31, 2024				Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV	
Investments					
Cash equivalents	\$ 5,658	\$ -	\$ -	\$ -	\$ 5,658
Mutual funds - fixed income	28,942	-	-	-	28,942
Mutual funds - equities	127,896	-	-	-	127,896
Alternative investments:					
Limited partnership - public equity	-	3,744	-	41,172	44,916
Hedge funds	-	-	-	10,700	10,700
Fixed income	-	-	-	2,602	2,602
Private equity funds	-	-	-	8,784	8,784
Total investments	162,496	3,744	-	63,258	229,498
Beneficial interests in trusts	-	-	7,885	-	7,885
Total assets	\$ 162,496	\$ 3,744	\$ 7,885	\$ 63,258	\$ 237,383

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, 2025 and 2024 (in thousands):

	Beneficial Interests in Trusts	
	2025	2024
Balance, beginning of year	\$ 7,885	\$ 7,005
Unrealized (losses) gains	(68)	880
Balance, end of year	\$ 7,817	\$ 7,885

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, investment grade publicly traded fixed income securities with quoted prices in active markets. Fixed income mutual funds are valued using a market approach and are considered Level 1 inputs.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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.

Alternative Investments

Public Equity

Public equity investments utilizing active managers which includes global, domestic, or foreign public stocks/fund managers, limited partnerships, commingled funds to provide capital appreciation well in excess of inflation. These funds are valued using NAV per share (or its equivalent unit) as determined by the fund managers.

Hedge Funds

Investments in funds that provide exposure to differentiated strategies to either generate equity like returns over time with lower volatility or target superior downside protection during equity market drawdowns and earn strong risk-adjusted returns over a full cycle. This may include but is not limited to strategies such as long/short equity, event-driven, distressed credit, global macro, trend following or multi-manager funds. Hedge funds are valued using NAV per share (or its equivalent unit) as determined by the fund managers.

Fixed Income

Investments in corporate debt and private lending to augment the investments in high quality or U.S. Government-guaranteed obligations. These funds are illiquid and are valued using NAV per share (or its equivalent unit) as determined by the fund managers.

Private Equity Funds

Investments in venture capital, growth equity, and secondaries funds and fund-of-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 funds are 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.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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, 2025 and 2024 are as follows (in thousands):

	Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2025	2024			
Alternative Investments:					
Public equity ^(a)	\$ 54,172	\$ 41,172	\$ -	(a)	(a)
Hedge funds ^(b)	34,161	10,700	1,252	(b)	(b)
Fixed income ^(c)	5,919	2,602	4,200	(c)	(c)
Private equity funds ^(d)	12,580	8,784	16,465	(d)	(d)
	<u>\$ 106,832</u>	<u>\$ 63,258</u>	<u>\$ 21,917</u>		

- (a) *Public equity*: The public equity allocation is invested with managers that offer liquidity on either a daily, weekly, semi-monthly, or monthly basis. Approximately three-quarters of the public equity allocation has daily liquidity as of August 31, 2025. Notice periods for redemptions vary.
- (b) *Hedge funds*: Hedge funds have varying liquidity. The most liquid hedge fund position in the portfolio offers semi-monthly liquidity. Restrictions on other hedge fund positions include varying combinations of multi-year lock ups or liquidity provisions, investor-level gates, multi-month notification periods, redemption fees, and redemption windows either quarterly or less frequently. One hedge fund utilizes capital commitment and call structure. Certain hedge funds may hold private, illiquid positions.
- (c) *Fixed income*: The fixed income allocation is highly liquid. All non-cash positions except one offer daily liquidity. The one exception (representing a very small portion of the portfolio) is a currently private position that utilizes a capital commitment and call structure similar to other private investments. Unlike other private investments, this is intended to become a public position within approximately five years. There are also time-based triggers for a wind-down if liquidity events do not occur.
- (d) *Private equity funds*: Private investments are considered illiquid. Capital is committed and called at irregular intervals over a period of multiple years. Distributions are typically made later in the life of the fund as investments are realized. The fund duration will vary, but generally will be between 10-15 years. Notice period provided for capital calls varies by firm and fund.

NOTE E - ENDOWMENTS

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

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 Trustees to function as endowments, held in investments, plus the following where the assets have been designated for endowment: pledges receivable and split-interest agreements.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

Interpretation of Relevant Law

The Board of Trustees 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, 2025 and 2024, there were no such funds with deficiencies.

Endowment Investment Guidelines

The Association's Investment Guidelines are to invest the Association's endowment assets in a generally accepted prudent 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 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 2025 and 2024. 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, 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 2025 and 2024 to these and all other endowment pools.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 13 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 \$234,000 and \$226,000 at August 31, 2025 and 2024, 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

Endowment fund activity for the year ended August 31, 2025 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 5,190	\$ 238,529	\$ 243,719
Net investment return	957	26,660	27,617
Contributions	-	2,259	2,259
Appropriation of endowment assets for operations	(261)	(11,158)	(11,419)
Other changes			
Endowment campaign expenses	(364)	-	(364)
Change in estimate for annuities payable	-	(32)	(32)
Total other changes	<u>(364)</u>	<u>(32)</u>	<u>(396)</u>
Net assets, end of year	<u>\$ 5,522</u>	<u>\$ 256,258</u>	<u>\$ 261,780</u>

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

Endowment net asset composition by type of fund as of August 31, 2025 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 256,258	\$ 256,258
Board-designated funds	5,522	-	5,522
	<u>\$ 5,522</u>	<u>\$ 256,258</u>	<u>\$ 261,780</u>

Endowment Fund Activity

Endowment fund activity for the year ended August 31, 2024 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 4,556	\$ 210,447	\$ 215,003
Net investment return	759	33,898	34,657
Contributions	-	5,973	5,973
Appropriation of endowment assets for operations	(125)	(11,078)	(11,203)
Other changes			
Endowment campaign expenses	-	(412)	(412)
Change in estimate for annuities payable	-	(299)	(299)
Total other changes	<u>-</u>	<u>(711)</u>	<u>(711)</u>
Net assets, end of year	<u>\$ 5,190</u>	<u>\$ 238,529</u>	<u>\$ 243,719</u>

Endowment net asset composition by type of fund as of August 31, 2024 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 238,529	\$ 238,529
Board-designated funds	5,190	-	5,190
	<u>\$ 5,190</u>	<u>\$ 238,529</u>	<u>\$ 243,719</u>

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 \$7,817,000 and \$7,885,000 at August 31, 2025 and 2024, respectively, in the accompanying consolidated statements of financial position. Distributions received from these trusts (approximately \$387,000 and \$303,000 in 2025 and 2024, 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 Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 in 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, 2025 and 2024. This draw from the Annenberg Endowment funds amounted to approximately \$2,680,000 for 2025 and \$2,682,000 for 2024 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 \$53,920,000 and \$51,580,000 as of August 31, 2025 and 2024, respectively.

NOTE G - PROPERTY AND EQUIPMENT

The components of property and equipment at August 31, 2025 and 2024 were as follows (in thousands):

	2025	2024
Philadelphia Orchestra		
Office condominium	\$ 1,759	\$ 1,748
Building improvements	751	731
Equipment and other	11,399	11,369
Fine instruments	311	311
Total	14,220	14,159
Less: accumulated depreciation	(10,150)	(9,521)
Total Philadelphia Orchestra	4,070	4,638
Academy of Music		
Land	630	630
Building and building improvements	89,311	88,767
Office equipment	1,795	1,002
Total	91,736	90,399
Less: accumulated depreciation	(69,228)	(66,715)
Total Academy of Music	22,508	23,684
Total property and equipment, net	\$ 26,578	\$ 28,322

Depreciation expense related to the Orchestra was \$629,000 and \$554,000 for the years ended August 31, 2025 and 2024, respectively. Depreciation expense related to the Academy is reflected in the Academy of Music expense in the consolidated statements of activities in the amount of \$2,513,000 and \$2,441,000 for the years ended August 31, 2025 and 2024, respectively.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 both of the years ended August 31, 2025 and 2024, premiums paid by the Association for these benefits amounted to \$8,000 per person.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

The Association's actuary has performed the computations for the postretirement health care obligation as of August 31, 2025 and 2024. Other changes recognized in other nonoperating revenue (expense) shown in the following tables is presented in the consolidated statements of activities in nonoperating revenue (expense) as other changes in postretirement benefit obligation. The calculation is as follows (in thousands):

	2025			
	Orchestra	Administrative	Academy	Total
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 7,329	\$ 280	\$ 40	\$ 7,649
Service cost	460	-	-	460
Interest cost	463	14	2	479
Actuarial loss	1,243	8	4	1,255
Benefits paid	(304)	(40)	(8)	(352)
Benefit obligation at end of year	<u>9,191</u>	<u>262</u>	<u>38</u>	<u>9,491</u>
Change in plan assets				
Fair value of plan assets at beginning of year	-	-	-	-
Contributions by the Association	304	40	8	352
Benefits paid	(304)	(40)	(8)	(352)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Funded status at year end	<u>\$ (9,191)</u>	<u>\$ (262)</u>	<u>\$ (38)</u>	<u>\$ (9,491)</u>
Net amounts recognized in the consolidated statement of financial position consist of:				
Accrued postretirement benefit obligation	<u>\$ (9,191)</u>	<u>\$ (262)</u>	<u>\$ (38)</u>	<u>\$ (9,491)</u>
Amounts recognized in net assets but not yet recognized in net periodic benefit costs consist of:				
Accumulated (loss) gain	\$ (13)	\$ 55	\$ 7	\$ 49
Cumulative employer contributions in excess of net periodic benefit cost	<u>(9,178)</u>	<u>(317)</u>	<u>(45)</u>	<u>(9,540)</u>
	<u>\$ (9,191)</u>	<u>\$ (262)</u>	<u>\$ (38)</u>	<u>\$ (9,491)</u>
Components of net periodic benefit cost				
Service cost	\$ 460	\$ -	\$ -	\$ 460
Interest cost	<u>463</u>	<u>14</u>	<u>2</u>	<u>479</u>
Net periodic benefit cost	<u>\$ 923</u>	<u>\$ 14</u>	<u>\$ 2</u>	<u>\$ 939</u>
Other changes recognized in other nonoperating revenue				
Net loss arising during period	<u>\$ 1,243</u>	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ 1,255</u>
Total recognized in other nonoperating revenue	<u>\$ 1,243</u>	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ 1,255</u>

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

	2024			
	Orchestra	Administrative	Academy	Total
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 6,930	\$ 277	\$ 47	\$ 7,254
Service cost	1	-	-	1
Interest cost	370	15	2	387
Actuarial loss (gain)	294	23	(2)	315
Benefits paid	(266)	(35)	(7)	(308)
Benefit obligation at end of year	<u>7,329</u>	<u>280</u>	<u>40</u>	<u>7,649</u>
Change in plan assets				
Fair value of plan assets at beginning of year	-	-	-	-
Contributions by the Association	265	35	7	307
Benefits paid	(265)	(35)	(7)	(307)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Funded status at year end	<u>\$ (7,329)</u>	<u>\$ (280)</u>	<u>\$ (40)</u>	<u>\$ (7,649)</u>
Net amounts recognized in the consolidated statement of financial position consist of:				
Accrued postretirement benefit obligation	<u>\$ (7,329)</u>	<u>\$ (280)</u>	<u>\$ (40)</u>	<u>\$ (7,649)</u>
Amounts recognized in net assets but not yet recognized in net periodic benefit costs consist of:				
Accumulated gain	\$ 1,229	\$ 63	\$ 11	\$ 1,303
Cumulative employer contributions in excess of net periodic benefit cost	(8,558)	(343)	(51)	(8,952)
	<u>\$ (7,329)</u>	<u>\$ (280)</u>	<u>\$ (40)</u>	<u>\$ (7,649)</u>
Components of net periodic benefit cost				
Service cost	\$ 1	\$ -	\$ -	\$ 1
Interest cost	370	15	2	387
Actuarial gain	(210)	(10)	(2)	(222)
Net periodic benefit cost	<u>\$ 161</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 166</u>
Other changes recognized in other nonoperating revenue				
Net loss (gain) arising during period	\$ 294	\$ 23	\$ (2)	\$ 315
Actuarial gain	210	10	2	222
Total recognized in other nonoperating revenue	<u>\$ 504</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 537</u>

	2025		
	Orchestra	Administrative	Academy
Weighted-average assumptions used to determine net periodic benefit cost were:			
Discount rate	5.08%	5.08%	5.08%
Weighted-average assumptions used to determine benefit obligations were:			
Discount rate	5.65%	5.65%	5.65%
Measurement date	8/31/25	8/31/25	8/31/25

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

	2024		
	<u>Orchestra</u>	<u>Administrative</u>	<u>Academy</u>
Weighted-average assumptions used to determine net periodic benefit cost were:			
Discount rate	5.37%	5.37%	5.37%
Weighted-average assumptions used to determine benefit obligations were:			
Discount rate	5.08%	5.08%	5.08%
Measurement date	8/31/24	8/31/24	8/31/24

For measurement purposes, a 7.84% and 7.45% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2025 and 2024, respectively. The rate was assumed to decrease to a rate of 4.00% in 2049 by various percentage points annually.

Estimated future benefit payments for years ending after August 31, 2025 are as follows (in thousands):

<u>Year Ending August 31,</u>	<u>Orchestra</u>	<u>Administrative</u>	<u>Academy</u>
2026	\$ 396	\$ 45	\$ 9
2027	437	49	10
2028	453	51	10
2029	491	55	11
2030	513	58	12
Next 5 years	2,827	320	65

Contributions

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

<u>Year Ending August 31,</u>	<u>Orchestra</u>	<u>Administrative</u>	<u>Academy</u>
2026	\$ 353	\$ 40	\$ 8

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, as amended. Effective on June 1, 2023, the Association authorized the transfer of sponsorship of the Plan to POKC. The amended and restated plan reflected the following changes: new Plan sponsor, new Plan name, and the addition of non-elective contributions with respect to eligible employees of KCI. The Retirement Plan is a non-contributory, defined contribution pension plan covering all staff and musicians of POKC. All staff and musicians are eligible to participate in the Retirement Plan upon hire. POKC contributes 5% - 8% of compensation each pay period to employees classified as staff. Musicians receive 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, 2025 and 2024 were approximately \$1,939,000 and \$1,961,000, respectively.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

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 8.0% for 2025 and 7.5% for 2024. 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, 2025 and was extended through October 31, 2026. The Association had no borrowings during the year and no amounts outstanding on this line of credit at August 31, 2025 and 2024 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, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Program expenditure for a specific time	\$ 2,702	\$ 1,703
Program expenditure for Orchestra activities	7,418	10,901
Endowment funds subject to appropriation and spending	48,465	32,895
Endowment funds to be held in perpetuity	194,083	188,037
Beneficial interests in trusts	7,817	7,885
Pledges related to endowment	5,893	9,712
	<u>\$ 266,378</u>	<u>\$ 251,133</u>

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 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, 2025 and 2024, the Association recorded a gain of \$788,000 and \$489,000, 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 Association has several commitments under contract for renovations of the Academy. Portions of these contracts not completed at year end are not reflected in the consolidated financial statements. These unrecorded commitments totaled \$748,000 at August 31, 2025.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

Leases

The Orchestra and the Academy are parties to a Master Lease between the Academy and Regional Performing Arts Center, Inc. (now "KCI") and a Sublease dated as of February 11, 2001 between Regional Performing Arts Center, Inc. and the Orchestra, which govern the Orchestra's use of Marian Anderson Hall at the Kimmel Center and KCI's use of the Academy of Music.

Annual Rent under the Sublease is 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 Marian Anderson Hall concerts and Perelman Theater concerts.

Rent paid was \$1,890,000 and \$1,819,000 for the years ended August 31, 2025 and 2024, 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.

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 continued through its expiration on January 31, 2026, at which time it was not renewed.

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

Fiscal Year	Minimum Rent Per Annum
2026	\$ 168,000

Lease costs recorded in the consolidated statements of activities for the years ended August 31, are as follows (in thousands):

	2025	2024
Operating lease costs	\$ 2,055	\$ 2,198
Supplemental cash flow information related to leases:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows related to operating leases	\$ 2,055	\$ 2,198

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

The lease assets and liabilities included in the consolidated statements of financial position as of August 31, are as follows (in thousands):

	2025	2024
Operating leases ROU assets	\$ 5,760	\$ 7,500
Accumulated amortization	(2,029)	(1,930)
Operating leases ROU assets, net	\$ 3,731	\$ 5,570
Operating lease liability	\$ 3,923	\$ 5,772

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

	2025	2024
Weighted-average remaining lease term	2 years	2.87 years
Weighted-average discount rate	5.25%	5.22%

The leases have remaining lease terms of up to three years, inclusive of renewal options that are reasonably certain to be exercised. The following table summarizes the maturity of lease liabilities under operating leases as of August 31, 2025 (in thousands):

2026	\$ 2,112
2027	1,998
	4,110
Less: effects of discounting	(187)
	\$ 3,923

NOTE O - RELATED PARTIES

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

For the year ended August 31, 2024, the Orchestra received payments from the Kimmel Center and Ticket Philadelphia totaling approximately \$2,268,000, which are recorded within other revenues in the consolidated statement of activities.

From time to time, the Orchestra may purchase services from organizations that members of the Board of Trustees 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, 2025 and 2024.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

Contribution revenue recorded from members of the Association's Board of Trustees was \$9,847,000 and \$11,667,000 for the years ended August 31, 2025 and 2024, respectively.

In 2025, administrative and education program costs were recorded by POKC and allocated to the Orchestra based on its operating activities and programs. The amount allocated for the year ended August 31, 2025 was \$1,470,000.

In 2024, the Orchestra allocated certain administrative expenses to POKC, 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 year ended August 31, 2024 was \$3,301,000.

NOTE P - COLLECTIVE BARGAINING AGREEMENTS

As of August 31, 2025, the Orchestra had 95 musicians and three stagehands who were full-time employees. One hundred percent (100%) of the musicians and stagehands were represented by the American Federation of Musicians, Local 77 ("AFM") and the International Alliance of Theatrical Stage Employees, Local 8 ("IATSE"), respectively. The current collective bargaining agreement with the AFM was renewed in 2023 and covers the period September 2023 through September 2026. The 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.

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 Fund amounted to \$0 in both fiscal years 2025 and 2024.

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

NOTE Q - FUNCTIONAL EXPENSES

Expenses by functional and natural classification for the years ended August 31, 2025 and 2024 are as follows (in thousands):

	2025								
	Orchestra			Academy				Total Expenses	
	Orchestra Activities	Management and General	Fundraising	Total Orchestra	Academy Event	Management and General	Fundraising		Total Academy
Salaries, wages, taxes and benefits	\$ 30,059	\$ 6,175	\$ 1,688	\$ 37,922	\$ 27	\$ 482	\$ 182	\$ 691	\$ 38,613
Performing artists	5,152	-	-	5,152	53	-	-	53	5,205
Facilities and office expenses	2,161	947	134	3,242	27	10	8	45	3,287
Cultivation and special events	-	-	558	558	244	-	10	254	812
Professional fees	66	1,343	15	1,424	-	-	-	-	1,424
Other fees for service	29	206	817	1,052	-	-	7	7	1,059
Production and education program	2,112	-	-	2,112	128	-	-	128	2,240
Travel	2,461	146	31	2,638	6	-	-	6	2,644
Advertising and promotion	2,216	276	1	2,493	4	-	-	4	2,497
Information technology	-	511	-	511	-	-	-	-	511
Insurance	1	500	-	501	-	-	-	-	501
Other expenses	39	213	13	265	134	36	28	198	463
Bad debt expense	-	209	-	209	-	-	-	-	209
Gift in-kind expense	-	8	-	8	6	-	-	6	14
Depreciation	-	629	-	629	-	2,513	-	2,513	3,142
	<u>\$ 44,296</u>	<u>\$ 11,163</u>	<u>\$ 3,257</u>	<u>\$ 58,716</u>	<u>\$ 629</u>	<u>\$ 3,041</u>	<u>\$ 235</u>	<u>\$ 3,905</u>	<u>\$ 62,621</u>

	2024								
	Orchestra			Academy				Total Expenses	
	Orchestra Activities	Management and General	Fundraising	Total Orchestra	Academy Event	Management and General	Fundraising		Total Academy
Salaries and wages	\$ 22,096	\$ 6,999	\$ 888	\$ 29,983	\$ 13	\$ 330	\$ 230	\$ 573	\$ 30,566
Benefits and taxes	4,984	2,401	303	7,688	-	-	-	-	7,688
Performing artists	6,360	-	-	6,360	454	-	-	454	6,814
Facilities and office expenses	2,222	1,270	165	3,657	40	-	10	50	3,707
Cultivation and special events	-	-	555	555	322	-	-	322	877
Professional fees	522	1,010	8	1,540	-	43	-	43	1,583
Other fees for service	-	854	968	1,822	-	17	8	25	1,847
Production and education program	2,272	-	-	2,272	118	-	-	118	2,390
Travel	4,433	238	68	4,739	8	-	-	8	4,747
Advertising and promotion	1,676	293	1	1,970	46	-	-	46	2,016
Information technology	-	2,185	-	2,185	-	-	-	-	2,185
Insurance	189	266	-	455	-	-	-	-	455
Other expenses	36	420	17	473	148	-	42	190	663
Bad debt expense	-	752	-	752	-	-	-	-	752
Gift in-kind expense	-	221	-	221	20	-	-	20	241
Depreciation	-	554	-	554	-	2,441	-	2,441	2,995
	<u>\$ 44,790</u>	<u>\$ 17,463</u>	<u>\$ 2,973</u>	<u>\$ 65,226</u>	<u>\$ 1,169</u>	<u>\$ 2,831</u>	<u>\$ 290</u>	<u>\$ 4,290</u>	<u>\$ 69,516</u>

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

NOTE R - LIQUIDITY AND FUNDS AVAILABLE

As of August 31, 2025, financial assets and liquidity resources available within one year for general expenditure were as follows (in thousands):

	<u>Orchestra</u>	<u>Academy</u>	<u>Total</u>
Financial assets			
Cash and cash equivalents	\$ 12,622	\$ 1,939	\$ 14,561
Notes and accounts receivable, net	2,384	-	2,384
Pledge payments available for operations	5,857	559	6,416
Board designations			
Funds functioning as endowment available for operations	1,085	4,437	5,522
Estimated endowment payout within one year	10,209	1,203	11,412
Estimated third-party trust payments within one year	2,986	-	2,986
	<hr/>	<hr/>	<hr/>
Total financial assets available within one year	35,143	8,138	43,281
Liquidity resources			
Bank line of credit	3,100	-	3,100
	<hr/>	<hr/>	<hr/>
Total financial assets and liquidity resources available within one year	<u>\$ 38,243</u>	<u>\$ 8,138</u>	<u>\$ 46,381</u>

As of August 31, 2024, financial assets and liquidity resources available within one year for general expenditure were as follows (in thousands):

	<u>Orchestra</u>	<u>Academy</u>	<u>Total</u>
Financial assets			
Cash and cash equivalents	\$ 14,743	\$ 1,659	\$ 16,402
Notes and accounts receivable, net	2,613	-	2,613
Pledge payments available for operations	7,331	56	7,387
Board designations			
Funds functioning as endowment available for operations	1,026	4,164	5,190
Estimated endowment payout within one year	10,297	840	11,137
Estimated third-party trust payments within one year	2,935	-	2,935
	<hr/>	<hr/>	<hr/>
Total financial assets available within one year	38,945	6,719	45,664
Liquidity resources			
Bank line of credit	3,100	-	3,100
	<hr/>	<hr/>	<hr/>
Total financial assets and liquidity resources available within one year	<u>\$ 42,045</u>	<u>\$ 6,719</u>	<u>\$ 48,764</u>

The Philadelphia Orchestra Association

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

August 31, 2025 and 2024

NOTE S - SUBSEQUENT EVENTS

The Association evaluated its August 31, 2025 consolidated financial statements for subsequent events through February 9, 2026, 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)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 1,939	\$ 1,659
Pledges receivable, net	559	93
Prepaid expenses and other assets	14	-
Investments	30,246	28,422
Property and equipment, net	<u>22,508</u>	<u>23,684</u>
Total assets	<u>\$ 55,266</u>	<u>\$ 53,858</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 88	\$ 11
Accrued expenses	195	-
Due to related parties	17	141
Accrued postretirement benefit obligation	<u>38</u>	<u>40</u>
Total liabilities	<u>338</u>	<u>192</u>
Net assets		
Without donor restrictions	28,764	29,448
With donor restrictions	<u>26,164</u>	<u>24,218</u>
Total net assets	<u>54,928</u>	<u>53,666</u>
Total liabilities and net assets	<u>\$ 55,266</u>	<u>\$ 53,858</u>

The Academy of Music of Philadelphia, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2025

(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Academy Event revenue	\$ 1,036	\$ -	\$ 1,036
Academy Event expense	(629)	-	(629)
Academy Event revenue, net	407	-	407
Annual public support	139	853	992
Spending policy draw	1,440	-	1,440
Revenue allocated from POKC	48	-	48
Other income	32	-	32
Net assets released from restrictions	483	(483)	-
Total other revenue	2,142	370	2,512
Total revenue	2,549	370	2,919
Expenses			
Administrative expenses	528	-	528
Fundraising expenses	235	-	235
Total expenses	763	-	763
Change in net assets from operations	1,786	370	2,156
Nonoperating activity			
Depreciation	(2,513)	-	(2,513)
Investment return, net of spending policy draw	273	1,576	1,849
Transfer of endowment earnings to The Philadelphia Orchestra Association for Academy of Music base rent	(234)	-	(234)
Other changes in postretirement benefit obligation	4	-	4
	(2,470)	1,576	(894)
CHANGE IN NET ASSETS	(684)	1,946	1,262
Net assets, beginning of year	29,448	24,218	53,666
Net assets, end of year	\$ 28,764	\$ 26,164	\$ 54,928

The Academy of Music of Philadelphia, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2024

(Dollars in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Academy Event revenue	\$ 1,227	\$ -	\$ 1,227
Academy Event expense	(1,169)	-	(1,169)
Transfer of Academy Event proceeds to related entities	(39)	-	(39)
	<u>19</u>	<u>-</u>	<u>19</u>
Academy Event revenue, net			
Annual public support	265	-	265
Spending policy draw	1,076	-	1,076
Other income	7	-	7
Net assets released from restrictions	50	(50)	-
	<u>1,398</u>	<u>(50)</u>	<u>1,348</u>
Total other revenue			
Total revenue	<u>1,417</u>	<u>(50)</u>	<u>1,367</u>
Expenses			
Administrative expenses	390	-	390
Fundraising expenses	290	-	290
	<u>680</u>	<u>-</u>	<u>680</u>
Total expenses			
Change in net assets from operations	<u>737</u>	<u>(50)</u>	<u>687</u>
Nonoperating activity			
Depreciation	(2,441)	-	(2,441)
Investment return, net of spending policy	621	2,454	3,075
Transfer of endowment earnings to The Philadelphia Orchestra Association for Academy of Music base rent	(226)	-	(226)
Other changes in postretirement benefit obligation	8	-	8
	<u>(2,038)</u>	<u>2,454</u>	<u>416</u>
CHANGE IN NET ASSETS	<u>(1,301)</u>	<u>2,404</u>	<u>1,103</u>
Net assets, beginning of year	<u>30,749</u>	<u>21,814</u>	<u>52,563</u>
Net assets, end of year	<u>\$ 29,448</u>	<u>\$ 24,218</u>	<u>\$ 53,666</u>