

Financial Statements and Report of
Independent Certified Public
Accountants

Kimmel Center, Inc. d/b/a Ensemble Arts Philly

August 31, 2025

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Kimmel Center, Inc.

Opinion

We have audited the financial statements of The Kimmel Center, Inc. (the “Center”), which comprise the statement of financial position as of August 31, 2025, and the related statement of activities 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 the Center as of August 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the 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 Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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 substantial doubt about the Center’s ability to continue as a going concern for one year after the date the 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 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 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 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 the Center'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 the Center's ability to continue as a going concern for a reasonable period of time.

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

Grant Thornton LLP

Philadelphia, Pennsylvania
February 9, 2026

Kimmel Center, Inc.

STATEMENT OF FINANCIAL POSITION

August 31, 2025

ASSETS

Cash and cash equivalents	\$	16,000
Trade accounts receivable, net of allowance of \$192 and \$214, respectively		1,483
Prepaid expenses and other assets		2,848
Pledges receivable, net		8,954
Due from related entities		335
Investments		71,518
Beneficial interests in trusts		6,722
Property and equipment, net		<u>142,077</u>

Total assets 249,937

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses		5,015
Deferred revenue		11,262
Notes payable		4,503
Annuities payable		<u>749</u>

Total liabilities 21,529

Net assets

Without donor restrictions		130,759
With donor restrictions		<u>97,649</u>

Total net assets 228,408

Total liabilities and net assets \$ 249,937

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

Kimmel Center, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Performances and events	\$ 48,611	\$ -	\$ 48,611
Contributions, sponsorships and memberships	4,527	1,204	5,731
Spending policy draw, designated for current operations	3,448	-	3,448
Income from beneficial interests in trusts	251	-	251
Equity gain in joint venture	1,930	-	1,930
Other revenues	2,408	-	2,408
Gifts in kind	94	-	94
Revenue allocated from POKC	1,806	-	1,806
Net assets released from restrictions			
Satisfaction of purpose restrictions	7,429	(7,429)	-
Total revenue, gains and other support	70,504	(6,225)	64,279
Expenses			
Program services			
Performances and events	27,529	-	27,529
Event facilities	26,211	-	26,211
Education and outreach	779	-	779
Depreciation and amortization	9,625	-	9,625
	64,144	-	64,144
Support services			
Marketing and communications	1,860	-	1,860
Management, administration, and general	6,115	-	6,115
Fundraising	1,390	-	1,390
	9,365	-	9,365
Total expenses	73,509	-	73,509
Transfer to POKC - administrative expenses of subsidiary (see Note M)	1,470	-	1,470
Change in net assets from operating activities	(4,475)	(6,225)	(10,700)
Nonoperating activity			
Endowment contributions	-	67	67
Investment return, net of spending policy draw	-	3,681	3,681
Total nonoperating revenue	-	3,748	3,748
CHANGE IN NET ASSETS	(4,475)	(2,477)	(6,952)
Net assets, beginning of year, as restated	135,234	100,126	235,360
Net assets, end of year	\$ 130,759	\$ 97,649	\$ 228,408

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

Kimmel Center, Inc.

STATEMENT OF CASH FLOWS

Year ended August 31, 2025

Cash flows from operating activities:

Change in net assets	\$	(6,952)
Adjustment to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation and amortization		9,625
Provision for bad debt expense		54
Change in investment in joint venture		(1,930)
Endowment contributions received		(67)
Net unrealized and realized gains on investments		(5,529)
Change in beneficial interests in trusts		(366)
Changes in assets and liabilities:		
Trade accounts receivable		2,226
Pledges receivable		4,108
Prepaid expenses and other assets		1,018
Accounts payable, accrued expenses and other liabilities		(736)
Deferred revenue		(5,860)
Annuities payable		(82)
		(4,491)
Net cash and cash equivalents used in operating activities		(4,491)

Cash flows from investing activities:

Purchases of investments		(8,009)
Proceeds from sales of investments		10,308
Purchases of property and equipment		(6,019)
Distribution from joint venture		1,993
		(1,727)
Net cash and cash equivalents used in investing activities		(1,727)

Cash flows from financing activities:

Payments on notes payable		(136)
Endowment contributions received		67
		(69)
Net cash and cash equivalents used in financing activities		(69)

NET DECREASE IN CASH AND CASH EQUIVALENTS (6,287)

Cash and cash equivalents, beginning of year 22,287

Cash and cash equivalents, end of year \$ 16,000

Supplemental cash flow data:

Cash paid during the year for interest		\$ 166
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The accompanying notes are an integral part of this financial statement.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2025

NOTE A - NATURE OF ORGANIZATION

Kimmel Center, Inc., d/b/a Ensemble Arts Philly ("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 ("Marian Anderson Hall") and a smaller recital theater ("Perelman Theater") that are rented to the Philadelphia Orchestra ("Orchestra") and several other Resident Companies (see Note L). 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 in the statement of activities for the year ended August 31, 2025.

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

The Center and the Orchestra entered into a Partnership and Affiliation Agreement on October 21, 2021, that enabled the Orchestra and the Center 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 the Center, with full representation from the original Orchestra and the Center boards.

NOTE B - 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. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

In accordance with U.S. GAAP, 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 ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities* ("ASC 958"). Under ASC 958, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Trade Accounts Receivable, Net

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.

Beneficial Interests in Trusts

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.

Property and Equipment, Net

Property and equipment, net, 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 net assets without donor restrictions. The Center's buildings are depreciated on a straight-line basis over an estimated useful life of 40 years and the equipment and leasehold improvements are depreciated over estimated useful lives of three to 40 years. Repair and maintenance costs are expensed when incurred.

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.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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 property and equipment, net. 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.

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 liability in the statement 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 statement 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 \$0 for the year ended August 31, 2025.

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 discount rate applicable to the year in which the promises are received.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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.

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.

Restatement of Opening Net Assets

Opening net assets with donor restrictions and opening total net assets reflect a restatement of the prior year financial statements related to a donor-restricted contribution in the amount of \$5,000,000 received during the year ended August 31, 2024 by POKC and allocated to the Center.

NOTE C - 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, 2025 are as follows (in thousands):

	<u>2025</u>
Cash and cash equivalents	\$ 3,794
Accounts receivable, net	2,092
Pledge payments available for operations	1,246
Board designations:	
Estimated endowment payout within one year	3,441
Estimated third party trust payments within one year	251
Liquidity resources:	
Line of credit availability	<u>5,000</u>
 Total financial assets and liquidity resources available within one year	 <u>\$ 15,824</u>

In addition to its financial assets available within 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

NOTE D - FAIR VALUE MEASUREMENTS

FASB ASC 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.

Certain of the Center's investments are measured at net asset value per share ("NAV") (or its equivalent) as a practical expedient to fair value and are not required to be categorized within 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 \$6,987,000.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of August 31, 2025 (in thousands):

	Assets at Fair Value at August 31, 2025				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at NAV	Total
Investments					
Cash equivalents	\$ 1,668	\$ -	\$ -	\$ -	\$ 1,668
Mutual funds - fixed income	7,454	-	-	-	7,454
Mutual funds - equities	25,839	-	-	-	25,839
Alternative investments:					
Limited partnership – public equity	-	-	-	15,177	15,177
Hedge funds	-	-	-	10,743	10,743
Private equity funds	-	-	-	10,637	10,637
Total investments	34,961	-	-	36,557	71,518
Beneficial interests in trusts	-	-	6,722	-	6,722
Total assets	\$ 34,961	\$ -	\$ 6,722	\$ 36,557	\$ 78,240

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.

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.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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.

Private Equities

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.

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

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Center has utilized Level 3 inputs to determine fair value for the year ended August 31, 2025 (in thousands):

Balance - August 31, 2024	\$ 6,356
Unrealized gains	<u>366</u>
Balance - August 31, 2025	<u>\$ 6,722</u>

NOTE E - NET ASSETS RESTRICTED FOR TIME AND PURPOSE

Net assets restricted for time and purpose as of August 31, 2025 include and are available for the following (in thousands):

	<u>2025</u>
Performance sponsorships	\$ 729
Capital improvements	<u>19,274</u>
Total	<u>\$ 20,003</u>

NOTE F - ENDOWMENTS

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.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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, 2025, the spending rate approved by the Board of Trustees was 5.5%.

The Center recognizes the original donations and investment returns as net assets with donor restrictions. Net investment gains eligible for expenditure in accordance with the spending rule are recorded as net assets with donor restrictions, until those amounts are appropriated for expenditure by the Center.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-designated endowment funds may fall below the level that the donor requires the Center to retain as a fund of perpetual duration. As of August 31, 2025, original donor designated funds in the amount of \$18,535,000 had a current fair value of \$17,185,000 and deficiencies of \$1,350,000.

Changes in endowment net assets consisted of the following for the year ended August 31, 2025 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, August 31, 2024	\$ -	\$ 73,898	\$ 73,898
Net earnings and appreciation	-	7,129	7,129
Contributions	-	67	67
Endowment draw	-	(3,448)	(3,448)
	\$ -	\$ 77,646	\$ 77,646
Endowment assets, August 31, 2025	\$ -	\$ 77,646	\$ 77,646

Net assets restricted for endowment consisted of the following (in thousands):

	2025
Donor-restricted endowment funds	\$ 70,924
Beneficial interests in trusts	6,722
Total funds	\$ 77,646

Beneficial interests in trusts require periodic distributions of income to the Center, which are restricted for maintenance of the Center and support for educational or community programs. The income from the donor-restricted endowment funds is to be used to support the Center's operations and to support maintenance of the Center or educational or community programs.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

NOTE G - PLEDGES RECEIVABLE

Pledges receivable at August 31, 2025 are expected to be collected as follows (in thousands). These receivables have been discounted at rates ranging from 2.5% to 3.5%.

<u>Due within,</u>	<u>2025</u>
One year	\$ 6,172
Two to five years	3,831
Total pledges receivable	10,003
Less: discount to net present value	(734)
Less: allowance for doubtful accounts	(315)
Pledges receivable, net	\$ 8,954

NOTE H - 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 investment in the Venture totaled \$2,364,000 at August 31, 2025 and is included in prepaid expenses and other assets in the statement of financial position. The Center’s share of the Venture’s net income was \$1,930,000 for 2025.

NOTE I - PROPERTY AND EQUIPMENT, NET

Land and Land Rights, Net

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, 2025. 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 \$229,000 for the year ended August 31, 2025.

Land and land rights consisted of the following (in thousands):

	<u>2025</u>
Land	\$ 2,777
Land rights	20,366
Total	23,143
Less: accumulated amortization	(5,425)
Land and land rights, net	\$ 17,718

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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.

Buildings, Improvements, and Equipment, Net

Buildings, improvements, and equipment, net consisted of the following (in thousands):

	<u>2025</u>
Buildings	\$ 253,585
Equipment	25,248
Leasehold improvements	5,368
Construction in process	<u>10,322</u>
Total	294,523
Less: accumulated depreciation	<u>(170,164)</u>
Buildings, improvements and equipment, net	<u>\$ 124,359</u>

Depreciation and amortization expense was \$9,625,000 for the year ended August 31, 2025.

NOTE J - LINE OF CREDIT AND NOTES PAYABLE

The Center has a \$5,000,000 revolving loan agreement ("Line of Credit") for working capital purposes which is a pay-on-demand Note. The interest rate on the Line of Credit is the current SOFR rate plus 2.25% (6.59% at August 31, 2025). The loan is collateralized by substantially all of the Center's assets, excluding real estate and the endowment. There was no outstanding balance under the Line of Credit at August 31, 2025. There was no interest expense incurred on the Line of Credit during the year ended August 31, 2025.

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 \$25,000, with one balloon payment of \$4,384,000 payable in November 2026. Interest expense on the note was \$166,000 for the year ended August 31, 2025.

The following is a summary of principal maturities of the mortgage (in thousands) during the next five years:

For the Years Ending August 31,

2026	\$ 144
2027	<u>4,359</u>
Total	<u>\$ 4,503</u>

NOTE K - LEASES

The Center has a Master Lease with the Academy, for use of the building, which expires on June 15, 2031. Rental payments are \$1 per year. Subsequent to the expiration, 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

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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.

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

NOTE L - 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 2028. 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.

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

For the Years Ending August 31,

2026	\$	2,019
2027		<u>2,050</u>
	\$	<u>4,069</u>

Total rental income was \$3,626,000 for the year ended August 31, 2025.

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 2027. Pursuant to this agreement, the Center pays a base management fee of \$7,783 per month, with a 3% per year increase for the duration of the agreement. Additional incentive management fees are payable upon reaching required net operating income levels. For the year ended August 31, 2025, no incentive management fees were incurred.

Concessionary Agreements

In May 2024, the Center, through its affiliation with its parent company POKC, 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

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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, 2025. 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, 2025, the unamortized investment balance was \$1,700,000 and these purchases are considered lessee-owned leasehold improvements by the Center 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 M - RELATED PARTY

In 2025, administrative and education program costs were recorded by POKC and allocated to the Center based on its operating activities and programs. The Center has also allocated income to POKC which will offset POKC's share of the expenses. The amount allocated for the year ended August 31, 2025 was \$1,470,000.

Members of the Center's Board of Trustees contributed to the annual fund of the Center totaling \$970,000 in 2025.

NOTE N - 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 \$1,529,000 to the multiemployer pension plan for the year ended August 31, 2025.

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

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in the plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under U.S. legislation regarding multiemployer pension plans, an organization 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.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

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

During the year ended August 31, 2025, the Center made annual contributions to one pension plan, covering approximately 69% 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, 2025 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 the Center received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. The “Surcharge Imposed” column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The “Collective Bargaining Agreement Expiration Date” column lists the expiration date of the collection bargaining agreement to which the plan is subject.

Union plan information for the year ended August 31, 2025, is as follows:

Union Name	# of Plan	Pension Protection Act Zone Status	FIP/RP Status Pending or Implemented	Surcharge Imposed
I.A.T.S.E. National Pension Fund	13-1849172/001	Green as of 12/31/2024	No	No

The Center also participates in a multi-employer health and welfare plan, and the expense was \$1,032,000 for the year ended August 31, 2025.

NOTE O - 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 P - 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 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 were \$753,000 for the year ended August 31, 2025.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

NOTE Q - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, and pledges receivable. The Center deposits its 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 donor-restricted cash are uninsured.

Kimmel Center, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

NOTE R - FUNCTIONAL EXPENSES

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

	Program Services			Supporting Services			Total
	Performances and Events	Events and Facilities	Education and Outreach	Marketing and Communication	Management, Administration and General	Fundraising	
Salaries, wages, benefits and taxes	\$ 2,574	\$ 17,425	\$ 464	\$ 978	\$ 2,582	\$ 811	\$ 24,834
Advertising expenses	3,079	1	-	524	5	2	3,611
Bad debt expense	-	-	-	-	54	-	54
Depreciation and amortization	-	-	-	-	9,625	-	9,625
Event expenses	16,250	-	265	-	-	246	16,761
Interest	-	166	-	-	-	-	166
Maintenance and repairs	-	6,998	2	-	-	-	7,000
Miscellaneous expenses	269	127	3	36	136	34	605
Office expenses	139	-	-	266	1,998	114	2,517
Professional and service fees	5,218	54	45	56	1,057	89	6,519
Rent and utilities	-	1,440	-	-	283	-	1,723
Gifts in kind	-	-	-	-	-	94	94
	\$ 27,529	\$ 26,211	\$ 779	\$ 1,860	\$ 15,740	\$ 1,390	\$ 73,509

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2025

NOTE S - SUBSEQUENT EVENTS

The Center evaluated its August 31, 2025, financial statements for subsequent events through February 9, 2026, the date the financial statements were available to be issued.