

PHILADELPHIA THEATRE COMPANY

FINANCIAL STATEMENTS

AUGUST 31, 2024 and 2023

PHILADELPHIA THEATRE COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Philadelphia Theatre Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philadelphia Theatre Company, which comprise the statements of financial position as of August 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years 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 Philadelphia Theatre Company as of August 31, 2024 and 2023, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Philadelphia Theatre Company 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
January 28, 2025



PHILADELPHIA THEATRE COMPANY

Statements of Financial Position

	August 31,	
	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 463,126	\$ 1,054,849
Accounts receivable, net	13,258	103,549
Grants and contributions receivable	1,127,524	752,028
Prepaid expenses	140,519	99,037
	<u>1,744,427</u>	<u>2,009,463</u>
Property and equipment:		
Theatre building	3,907,762	3,278,777
Theatre equipment	2,229,306	2,403,435
Office equipment	120,961	119,963
	<u>6,258,029</u>	<u>5,802,175</u>
Less: accumulated depreciation	<u>2,348,152</u>	<u>2,090,258</u>
	<u>3,909,877</u>	<u>3,711,917</u>
Other assets:		
Deposits and other assets	27,458	34,272
Right-of-use asset	141,595	182,390
Grants and contributions receivable, long-term, net	61,267	562,124
	<u>230,320</u>	<u>778,786</u>
Total other assets	<u>230,320</u>	<u>778,786</u>
Total assets	<u>\$ 5,884,624</u>	<u>\$ 6,500,166</u>

See notes to financial statements.

PHILADELPHIA THEATRE COMPANY

Statements of Financial Position (continued)

	August 31,	
	<u>2024</u>	<u>2023</u>
LIABILITIES		
Current liabilities:		
Notes payable, related parties	\$ 133,000	\$ 133,000
Accounts payable, operations	138,960	68,011
Mortgage notes payable, current portion	47,695	444,707
Current portion of operating lease liabilities	39,714	39,495
Accrued expenses	654,699	286,081
Deferred revenue	196,867	217,851
	<u>1,210,935</u>	<u>1,189,145</u>
Total current liabilities		
Long-term liabilities:		
Notes payable	910,000	910,000
Notes payable, related parties	80,000	80,000
Mortgage notes payable	1,855,291	1,473,081
Long-term operating lease liabilities	105,981	145,695
	<u>2,951,272</u>	<u>2,608,776</u>
Total long-term liabilities		
Total liabilities	<u>4,162,207</u>	<u>3,797,921</u>
Commitments		
NET ASSETS		
Without donor restrictions	524,689	1,043,954
With donor restrictions	1,197,728	1,658,291
	<u>1,722,417</u>	<u>2,702,245</u>
Total net assets		
Total liabilities and net assets	<u>\$ 5,884,624</u>	<u>\$ 6,500,166</u>

See notes to financial statements.

PHILADELPHIA THEATRE COMPANY

Statements of Activities and Changes in Net Assets

	Year Ended August 31,					
	2024			2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:						
Grants and contributions	\$ 1,274,088	\$ 1,046,962	\$ 2,321,050	\$ 1,131,126	\$ 453,096	\$ 1,584,222
In-kind contributions	32,077	-	32,077	24,670	-	24,670
Single ticket sales	151,868	-	151,868	237,245	-	237,245
Subscriptions	72,421	-	72,421	90,305	-	90,305
Rental income	759,347	-	759,347	438,315	-	438,315
Concessions	156,526	-	156,526	49,997	-	49,997
Special events	-	-	-	255,880	-	255,880
Less: cost of direct benefit to donors	-	-	-	(72,062)	-	(72,062)
Gain on forgiveness of debt	-	-	-	166,123	-	166,123
Other income	21,955	-	21,955	206,060	-	206,060
Net assets released from restrictions	1,507,525	(1,507,525)	-	901,895	(901,895)	-
Total support and revenue	3,975,807	(460,563)	3,515,244	3,429,554	(448,799)	2,980,755
Expenses:						
Program services:						
Theatre	2,111,751	-	2,111,751	2,368,793	-	2,368,793
New Work Development	60,382	-	60,382	15,003	-	15,003
Community Engagement/Education	120,988	-	120,988	-	-	-
Facility rental	520,942	-	520,942	388,268	-	388,268
Supporting services:						
Fundraising	423,148	-	423,148	328,696	-	328,696
General and administrative	1,257,861	-	1,257,861	971,083	-	971,083
Total expenses	4,495,072	-	4,495,072	4,071,843	-	4,071,843
Change in net assets	(519,265)	(460,563)	(979,828)	(642,289)	(448,799)	(1,091,088)
Net assets at beginning of year	1,043,954	1,658,291	2,702,245	1,686,243	2,107,090	3,793,333
Net assets at end of year	\$ 524,689	\$ 1,197,728	\$ 1,722,417	\$ 1,043,954	\$ 1,658,291	\$ 2,702,245

See notes to financial statements.

PHILADELPHIA THEATRE COMPANY

Statement of Functional Expenses Year Ended August 31, 2024

	Program Services				Supporting Services				Total
	Theatre	New Work Development	Community Engagement/ Education	Facility Rental	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
Expenses:									
Personnel:									
Administrative	\$ 482,628	\$ 125	\$ 93,649	\$ 172,666	\$ 749,068	\$ 166,880	\$ 107,359	\$ 274,239	\$ 1,023,307
Employee benefits	28,712	-	5,067	10,149	43,928	6,591	4,616	11,207	55,135
Payroll taxes	39,241	10	7,684	13,368	60,303	13,523	8,888	22,411	82,714
Total personnel	<u>550,581</u>	<u>135</u>	<u>106,400</u>	<u>196,183</u>	<u>853,299</u>	<u>186,994</u>	<u>120,863</u>	<u>307,857</u>	<u>1,161,156</u>
Production costs:									
Artist housing	67,186	8,420	-	-	75,606	-	-	-	75,606
Artist travel	14,814	3,105	-	-	17,919	-	-	-	17,919
Artistic salaries	229,360	33,189	-	-	262,549	100	-	100	262,649
Artists' benefits	37,438	932	-	-	38,370	-	-	-	38,370
Artists' payroll taxes	11,147	1,339	-	-	12,486	-	-	-	12,486
Materials	231,914	875	-	3,987	236,776	-	-	-	236,776
Miscellaneous production	107,252	6,369	-	5,798	119,419	695	-	695	120,114
Theatre cleaning	42,846	-	-	21,575	64,421	-	-	-	64,421
Technical salaries	252,663	4,132	-	264,729	521,524	624	-	624	522,148
Technical payroll taxes	20,020	218	-	19,299	39,537	23	-	23	39,560
Total production costs	<u>1,014,640</u>	<u>58,579</u>	<u>-</u>	<u>315,388</u>	<u>1,388,607</u>	<u>1,442</u>	<u>-</u>	<u>1,442</u>	<u>1,390,049</u>
Marketing and advertising:									
Marketing and advertising	136,423	545	-	169	137,137	20,104	-	20,104	157,241
Total marketing and advertising	<u>136,423</u>	<u>545</u>	<u>-</u>	<u>169</u>	<u>137,137</u>	<u>20,104</u>	<u>-</u>	<u>20,104</u>	<u>157,241</u>
Administration:									
Bank/credit card charges	116	-	-	-	116	-	29,175	29,175	29,291
Bad debt	-	-	-	7,629	7,629	-	8,468	8,468	16,097
Write-off of pledge receivable (see Note B(8))	-	-	-	-	-	-	400,000	400,000	400,000
Building contract services and supplies	30,733	-	-	-	30,733	-	257	257	30,990
Community engagement	500	-	14,588	-	15,088	-	-	-	15,088
Concessions	26,508	-	-	-	26,508	-	5	5	26,513
Condo fees	68,741	-	-	-	68,741	-	-	-	68,741
Building equipment	44,235	-	-	-	44,235	-	-	-	44,235
Interest	-	-	-	-	-	-	99,846	99,846	99,846
COVID-19 safety	3,465	673	-	-	4,138	-	1,578	1,578	5,716
Postage/delivery	10,825	-	-	37	10,862	1,241	923	2,164	13,026
Dues and licenses	-	-	-	-	-	-	9,463	9,463	9,463
Permits and licenses	77	-	-	636	713	250	2,299	2,549	3,262
Office supplies and expense	7,794	-	-	363	8,157	269	15,355	15,624	23,781
Professional fees:									
Accounting and audit	-	-	-	-	-	-	116,449	116,449	116,449
Payroll services	-	-	-	-	-	-	18,462	18,462	18,462
Consulting/other professional fees	13,053	-	-	-	13,053	208,838	61,923	270,761	283,814
Printing	-	-	-	-	-	-	460	2,671	2,671
Property/liability insurance	83,404	-	-	-	83,404	-	16,340	16,340	99,744
Rent	-	-	-	-	-	-	42,684	42,684	42,684
Telephone/internet	-	-	-	-	-	-	12,627	12,627	12,627
Tessitura consortium assessment	29,382	-	-	-	29,382	-	-	-	29,382
Training/recruitment	-	-	-	-	-	-	27,807	27,807	27,807
Travel and entertainment	2,221	450	-	537	3,208	1,364	5,424	6,788	9,996
Utilities	80,987	-	-	-	80,987	-	-	-	80,987
Miscellaneous	8,066	-	-	-	8,066	435	171	606	8,672
Depreciation	-	-	-	-	-	-	267,282	267,282	267,282
Total administration	<u>410,107</u>	<u>1,123</u>	<u>14,588</u>	<u>9,202</u>	<u>435,020</u>	<u>214,608</u>	<u>1,136,998</u>	<u>1,351,606</u>	<u>1,786,626</u>
Total functional expenses	<u>\$ 2,111,751</u>	<u>\$ 60,382</u>	<u>\$ 120,988</u>	<u>\$ 520,942</u>	<u>\$ 2,814,063</u>	<u>\$ 423,148</u>	<u>\$ 1,257,861</u>	<u>\$ 1,681,009</u>	<u>\$ 4,495,072</u>

See notes to financial statements.

PHILADELPHIA THEATRE COMPANY

Statement of Functional Expenses Year Ended August 31, 2023

	Program Services			Supporting Services			Total	
	Theatre	New Work Development	Facility Rental	Total Program Services	Fundraising	General and Administrative		Total Supporting Services
Expenses:								
Personnel:								
Administrative	\$ 520,079	\$ -	\$ 179,883	\$ 699,962	\$ 253,940	\$ 181,146	\$ 435,086	\$ 1,135,048
Employee benefits	31,585	-	15,880	47,465	6,828	8,289	15,117	62,582
Payroll taxes	44,743	12	15,209	59,964	21,354	10,142	31,496	91,460
Total personnel	596,407	12	210,972	807,391	282,122	199,577	481,699	1,289,090
Production costs:								
Artist housing	94,792	3,714	-	98,506	-	-	-	98,506
Artist travel	11,740	2,268	-	14,008	-	-	-	14,008
Artistic salaries	339,808	5,728	-	345,536	2,050	400	2,450	347,986
Artists' benefits	55,187	-	-	55,187	-	-	-	55,187
Materials	268,854	-	4,412	273,266	78	-	78	273,344
Miscellaneous production	82,811	1,954	-	84,765	-	1,902	1,902	86,667
Theatre cleaning	56,749	100	8,789	65,638	-	-	-	65,638
Technical salaries	323,378	818	163,493	487,689	1,547	969	2,516	490,205
Total production costs	1,233,319	14,582	176,694	1,424,595	3,675	3,271	6,946	1,431,541
Marketing and advertising:								
Marketing and advertising	169,955	289	24	170,268	26,706	300	27,006	197,274
Total marketing and advertising	169,955	289	24	170,268	26,706	300	27,006	197,274
Administration:								
Bank/credit card charges	91	-	-	91	1,556	28,159	29,715	29,806
Building contract services and supplies	27,933	-	-	27,933	-	342	342	28,275
Concessions	14,275	-	-	14,275	-	-	-	14,275
Condo fees	62,443	-	-	62,443	-	-	-	62,443
Building equipment	28,624	-	-	28,624	-	-	-	28,624
Interest	-	-	-	-	-	108,578	108,578	108,578
COVID-19 safety	33,534	120	-	33,654	-	1,132	1,132	34,786
Postage/delivery	11,261	-	7	11,268	2,239	633	2,872	14,140
Dues and licenses	6,740	-	-	6,740	-	3,066	3,066	9,806
Permits and licenses	85	-	-	85	250	2,719	2,969	3,054
Office supplies and expense	6,094	-	-	6,094	5,285	18,049	23,334	29,428
Professional fees:								
Accounting and audit	-	-	-	-	-	107,040	107,040	107,040
Payroll services	-	-	-	-	-	17,307	17,307	17,307
Consulting/other professional fees	-	-	-	-	-	135,140	135,140	135,140
Printing	-	-	-	-	3,669	1,073	4,742	4,742
Property/liability insurance	77,556	-	-	77,556	-	14,773	14,773	92,329
Rent	-	-	-	-	-	33,520	33,520	33,520
Telephone/internet	-	-	-	-	-	13,813	13,813	13,813
Tessitura consortium assessment	25,522	-	-	25,522	-	-	-	25,522
Training/recruitment	2,500	-	-	2,500	100	3,301	3,401	5,901
Travel and entertainment	4,274	-	571	4,845	3,031	4,331	7,362	12,207
Utilities	60,703	-	-	60,703	-	-	-	60,703
Miscellaneous	7,477	-	-	7,477	63	4,978	5,041	12,518
Depreciation	-	-	-	-	-	269,981	269,981	269,981
Total administration	369,112	120	578	369,810	16,193	767,935	784,128	1,153,938
Special events - Gala:								
Cost of direct benefits to donors:								
Auction items	-	-	-	-	5,931	-	5,931	5,931
Food	-	-	-	-	36,585	-	36,585	36,585
Production costs and other	-	-	-	-	29,546	-	29,546	29,546
Total gala	-	-	-	-	72,062	-	72,062	72,062
Total functional expenses	\$ 2,368,793	\$ 15,003	\$ 388,268	\$ 2,772,064	\$ 400,758	\$ 971,083	\$ 1,371,841	\$ 4,143,905

See notes to financial statements.

PHILADELPHIA THEATRE COMPANY

Statements of Cash Flows

	Year Ended August 31,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (979,828)	\$ (1,091,088)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	267,282	269,981
Loss (gain) on disposal of fixed assets	83	(888)
Amortization of operating lease right-of-use asset	40,795	19,752
Bad debt expense	16,097	-
Write-off of pledge receivable	400,000	-
Gain on forgiveness of debt	-	(166,123)
Deferred interest	27,236	26,583
Changes in assets and liabilities:		
Accounts receivable	90,291	(60,035)
Grants and contributions receivable	(290,736)	581,984
Prepaid expenses	(41,482)	47,064
Deposits and other assets	6,814	2,682
Accounts payable, operations	(292,247)	23,749
Operating lease liabilities	(39,495)	(18,347)
Accrued expenses	341,382	(72,462)
Deferred revenue	(20,984)	64,727
	<u>(474,792)</u>	<u>(372,421)</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(102,129)</u>	<u>(54,650)</u>
Cash flows from financing activities:		
Principal repayments of mortgage notes payable	<u>(14,802)</u>	<u>(8,318)</u>
Net decrease in cash and cash equivalents	(591,723)	(435,389)
Cash and cash equivalents at beginning of year	<u>1,054,849</u>	<u>1,490,238</u>
Cash and cash equivalents at end of year	\$ 463,126	\$ 1,054,849
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 72,610</u>	<u>\$ 81,995</u>
Supplemental disclosures of noncash investing and financing activities:		
Right-of-use assets acquired via operating lease	<u>\$ -</u>	<u>\$ 207,037</u>
Additions to property and equipment in accounts payable	<u>\$ 363,196</u>	<u>\$ -</u>

See notes to financial statements.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE A - NATURE OF OPERATIONS

Philadelphia Theatre Company ("PTC") is a leading non-profit regional theatre company in Philadelphia, Pennsylvania. Founded in 1974, PTC is a vital civic institution dedicated to creating extraordinary theatrical experiences that reflect the essential issues and ideas of our time and foster connection, understanding and transformation. Revenue is earned primarily through grants and contributions, ticket sales, and rental of PTC's facilities.

PTC's theatre program services represent its theatre productions intended for its core mainstage season. New work development (previously known as literary) services represent activities related to developing new plays and/or musicals not included in PTC's current mainstage season. Community engagement/education, a new program for the year ended August 31, 2024, represents the work of PTC's educational programs and community outreach initiatives with the broader Philadelphia community. Facility rental services represent the rental of the theatre venue to outside entities as a licensee for an event.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

[2] Classification of net assets:

Net assets and revenues are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

(i) *Net assets without donor restrictions:*

Net assets available for use in general operations and not subject to donor restrictions.

(ii) *Net assets with donor restrictions:*

Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

[3] 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.

[4] Concentrations of credit risk:

PTC maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. PTC has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Cash and cash equivalents:

Cash and cash equivalents, which are highly liquid in nature with an initial maturity date of 90 days or less, are composed of cash, savings, checking and money market operating accounts held at financial institutions in interest-bearing accounts.

[6] Property and equipment and depreciation:

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if contributed, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 10 to 40 years for theatre building, 5 to 20 years for theatre equipment and 5 years for office equipment. Purchases of property and equipment in excess of \$1,000 are capitalized and recognized in the statements of financial position. Expenditures for repairs and maintenance are expensed as incurred, whereas renewals and betterments that extend the lives of property are capitalized.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis, and when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of August 31, 2024 and 2023, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Revenue recognition:

Single ticket sale revenue:

PTC's performance obligation relating to ticket sale revenue is to hold the performance for which the tickets were purchased. Ticket sale revenue is recognized at a point in time when the related production takes place. Tickets are purchased prior to when the performances take place. The opening balance in deferred ticket sale revenue on September 1, 2022 was \$1,903. The balance in deferred ticket sale revenue as of August 31, 2024 and 2023 was \$2,851 and \$-0-, respectively.

Subscription revenue:

PTC's performance obligation relating to its subscription offering is to provide benefits to its members for the duration of the subscription term, which coincides with PTC's fiscal year. Benefits include access to performances and discounts. These benefits are simultaneously received and consumed by the members; therefore, subscription revenue is recognized ratably over the term of the subscription. Subscriptions are billed and due in full prior to the start of the subscription period. The opening balance in deferred subscription revenue was \$77,446 on September 1, 2022. The balance in deferred subscription revenue as of August 31, 2024 and 2023 was \$48,356 and \$84,101, respectively.

Rental income:

Rental income primarily consists of charges for rents in connection with the use of PTC's theatre and the use of PTC's personnel during the related production. PTC's performance obligation is to provide the use of the theatre and personnel for the related production. This revenue is recognized at a point in time once the production takes place or the services are performed. Rents are invoiced upon completion of agreed upon services and any balance due is payable upon receipt of invoice. The opening balances in rentals receivable and deferred rental income on September 1, 2022 was \$34,964 and \$24,364, respectively. The balance in rentals receivable as of August 31, 2024 and 2023 was \$10,252 and \$97,142, respectively. The balance in deferred rental income as of August 31, 2024 and 2023 was \$80,409 and \$130,850, respectively.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Revenue recognition: (continued)

Concession revenue:

The sole performance obligation relating to concession revenue is to provide patrons with food and beverages. Concession revenue is recognized at the time of sale.

Special events revenue:

The sole performance obligation relating to special events is to host the special event. Special events revenue is recognized at a point in time when the event takes place.

PTC recognizes contract liabilities for consideration received in respect to unsatisfied performance obligations and reports these amounts as deferred revenue in the statements of financial position. Deferred revenue principally consists of ticket sale and subscription revenue, rental income, and grants received in advance of the performance obligation being satisfied. Similarly, PTC recognizes a contract asset if a performance obligation is satisfied before consideration is received and reports these amounts as receivables in the statements of financial position.

Contributions:

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. During the year ended August 31, 2024, PTC received a conditional grant from a donor with a maximum award of up to \$4,000,000, over the period from September 1, 2024 to August 31, 2028. No cash was received and no revenue was recognized from this grant during the year ended August 31, 2024.

In-kind contributions are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial 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. In-kind contributions for the years ended August 31, 2024 and 2023, which consisted primarily of pro bono legal services, were \$32,077 and \$24,670, respectively, and are included in in-kind contributions on the statements of activities and changes in net assets, and in consulting/other professional fees on the statements of functional expenses. The fair value of the legal services is based on the law firm's billing rates and time expended.

[8] Receivables:

Accounts receivable consist primarily of rentals receivable and are stated at amounts management expects to collect from outstanding balances. The estimate for the expected allowance for credit losses is derived from a review of PTC's historical experience and management's evaluation of outstanding accounts receivable. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by PTC. Balances that are still outstanding after management has used reasonable collection efforts are written off. The allowance for credit losses was \$1,556 and \$-0- as of August 31, 2024 and 2023, respectively.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Receivables: (continued)

Grants and contributions receivable are presented at net present value using an appropriate discount rate as determined by management (see Note D). In addition, management provides an allowance for uncollectible grants and contributions based on its assessment of the current status of individual commitments to give. When all collection efforts have been exhausted, the accounts are written off. Management has determined that an allowance for uncollectible grants and contributions is not deemed necessary as of August 31, 2024 or 2023. One contribution receivable in the amount of \$400,000, which was originally scheduled to be received during the year ended August 31, 2025, was written off during the year August 31, 2024 and is included in write-off of pledge receivable on the statement of functional expenses. The original donor of this contribution awarded a conditional grant to PTC during the year ended August 31, 2024, as described in Note B[7], and per terms of the new grant agreement, the donor was relieved of their commitment to pay the remaining \$400,000 associated with the previous contribution.

[9] Leases:

PTC determines if an arrangement is a lease at inception.

Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and long-term portion) on the accompanying statement of financial position. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The operating lease ROU assets also include lease incentives and initial direct costs incurred. For operating leases, interest on the lease liability and the amortization of ROU asset result in straight-line rent expense over the lease term.

Leases may include options to extend or terminate the lease which are included in the ROU operating lease assets and operating lease liability when they are reasonably certain of exercise. Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are considered variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized as an expense in the period in which the related obligation was incurred.

[10] PPP loan payable:

In April 2021, PTC received a loan from PNC Bank for \$156,565, pursuant to the the Coronavirus Aid, Relief, and Economic Security Act Paycheck Protection Program ("PPP"). PTC elected to account for these PPP proceeds as debt, in which it applied for forgiveness during the year ended August 31, 2022. In September 2022, PTC was notified that it had received forgiveness from the bank and the U.S. Small Business Administration and, therefore, the forgiven debt and interest is recognized as gain on forgiveness of debt on the statement of activities and changes in net assets for the year ended August 31, 2023.

[11] Advertising and marketing:

Advertising and marketing costs related to the production season are expensed the first time the production takes place. General advertising and marketing costs are expensed as incurred. Advertising and marketing expenses were \$157,241 and \$197,274 for the years ended August 31, 2024 and 2023, respectively.

[12] Functional allocation of expenses:

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are allocated between program and supporting services. Salaries, benefits, and payroll taxes are allocated based on hours employees work in each respective program in accordance with their position and job duties. All expenses related to rentals are distinguishable based on the expenses associated with a contracted rental of the venue. The remaining expenses are individually coded to a specific department and function within PTC's chart of accounts, as determined by management.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Federal tax status:

PTC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if PTC has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by PTC and has concluded that as of August 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

PTC recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest or penalties recorded for either of the years ended August 31, 2024 or 2023.

[14] Adoption of new accounting pronouncements:

Effective September 1, 2023, PTC adopted Financial Accounting Standards Board ("FASB") ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), as amended. ASU 2016-13 replaces the "incurred loss" credit losses framework with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology which requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs.

PTC adopted ASU 2016-13 using the modified retrospective method for all financial assets measured as amortized cost which consisted of accounts receivable. Results for the year ended August 31, 2023 continue to be reported in accordance with previously applicable U.S. GAAP. The adoption and application of the standard had no material effect on these financial statements and primarily resulted in enhanced disclosures only.

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise the following as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 463,126	\$ 1,054,849
Accounts receivable, net	13,258	103,549
Grants and contributions receivable, due in less than one year	<u>1,127,524</u>	<u>752,028</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,603,908</u>	<u>\$ 1,910,426</u>

As part of PTC's liquidity management plan, PTC structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE D - GRANTS AND CONTRIBUTIONS RECEIVABLE

PTC has received unconditional grants and contributions, some of which are receivable in future years. Those of which are receivable in more than one year are discounted using appropriate rates as determined by management, which was 4.38% for the year ended August 31, 2024 and ranged from 4.23% to 5.50% for the year ended August 31, 2023. Unconditional grants and contributions as of August 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 1,127,524	\$ 752,028
1 - 5 years	75,500	595,000
Total grants and contributions receivable	1,203,024	1,347,028
Less: discount to net present value	14,233	32,876
Grants and contributions receivable, net	<u>\$ 1,188,791</u>	<u>\$ 1,314,152</u>

NOTE E - MORTGAGE NOTES PAYABLE

In September 2015, PTC completed the purchase of the Suzanne Roberts Theatre ("SRT") from TD Bank for \$5,000,000. \$3,000,000 was provided through donor contributions, and PTC obtained mortgage financing through the Philadelphia Industrial Development Corporation ("PIDC") for the remaining \$2,000,000, as described below.

PTC entered into a loan agreement with PIDC Local Development Corporation ("PIDC-LDC"), whereby PTC received a principal sum of \$1,500,000, and which, after a loan modification, was payable in interest-only payments, bearing interest at a rate of 3%, through July 1, 2023, at which time a payment of the outstanding principal of approximately \$1,473,000, plus any unpaid interest, was scheduled to become due. In July 2020, the terms of this loan were again modified, deferring the interest-only payments from August 1, 2020 through June 30, 2021. After this forbearance period, PTC will resume making monthly payments of interest at a rate of 3% per annum, through August 31, 2023. In October 2023, the terms of the loan were modified, extending the interest-only period through August 31, 2024. In June 2024, the terms were once again modified, extending the maturity date until July 1, 2039, with monthly payments of principal and interest totaling \$6,968 due and payable beginning on July 1, 2024 until the maturity date, at which time all unpaid principal and interest will be due and payable, including any principal and interest payments that were deferred during the forbearance period. The loan is collateralized by liens on PTC's theatre building and business assets. The outstanding principal balance of this loan was \$1,467,124 and \$1,473,081 as of August 31, 2024 and 2023, respectively. Interest expense related to this loan was \$44,103 and \$44,192 for the years ended August 31, 2024 and 2023, respectively.

PTC entered into a loan agreement with PIDC Community Capital, whereby PTC received a principal sum of \$500,000, which was payable in monthly installments of \$3,079, including interest at a rate of 6.25% per year. The loan was originally scheduled to mature on November 1, 2020, at which time a balloon payment of all outstanding principal, plus any unpaid interest, was due. In July 2020, the terms of the loan were modified, extending the maturity date until August 1, 2023, with monthly payments of principal and interest unchanged. In October 2023, the terms of the loan were once again modified, extending the maturity date until July 1, 2024, with monthly payments of principal and interest unchanged. In June 2024, the loan was modified again, extending the maturing date until July 1, 2039. Under the terms of this modification, monthly payments of principal and interest totaling \$2,880 are due and payable beginning on July 1, 2024 through the maturity date, at which time all unpaid principal and interest will be due and payable. The loan is collateralized by liens on PTC's theatre building and business assets. The outstanding principal balance of this loan was \$435,862 and \$444,707 as of August 31, 2024 and 2023, respectively. Interest expense related to this loan was \$27,518 and \$28,054 for the years ended August 31, 2024 and 2023, respectively.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE E - MORTGAGE NOTES PAYABLE (CONTINUED)

Scheduled future maturities of mortgage notes payable as of August 31, 2024 are as follows:

<u>Year Ending August 31,</u>	
2025	\$ 47,695
2026	49,401
2027	51,174
2028	52,838
2029	54,932
Thereafter	<u>1,646,946</u>
	<u>\$ 1,902,986</u>

NOTE F - NOTES PAYABLE

Notes payable, related parties:

PTC received several unsecured, noninterest-bearing notes from Board members over the years. Some of the loans are payable on demand and classified as current liabilities on the statements of financial position. The total balance of current related party notes payable was \$133,000 as of both August 31, 2024 and 2023. Some of the loans from Board members were payable on demand after February 28, 2026, as of August 31, 2024, and after February 28, 2025, as of August 31, 2023, and are classified as long-term liabilities on the statements of financial position. The total balance of long-term related party notes payable was \$80,000 as of both August 31, 2024 and 2023.

Notes payable:

In conjunction with the purchase of the SRT, PTC obtained a note payable for \$65,000 from a private lender. The note bears interest at 3% per year. No payments are required until September 21, 2031, at which time all principal and accrued interest is due and payable. Interest expense related to this loan was \$1,950 for each of the years ended August 31, 2024 and 2023. The outstanding balance of this note was \$65,000 as of both August 31, 2024 and 2023. Cumulative deferred interest on this loan was \$11,700 and \$9,750 as of August 31, 2024 and 2023, respectively.

In December 2017, PTC obtained a \$1,000,000 note payable from a private lender, less an easement fee of \$155,000, which entitles the lender to use the sign on the outside of PTC's theatre building, for a net amount of \$845,000. The note bears interest at 3%, and matures on July 1, 2039, at which time all unpaid principal and interest are due. There are no required principal payments prior to the maturity date and the maturity date may be extended if certain conditions are met. The loan is collateralized by a mortgage on PTC's theatre building. Interest expense related to this loan was \$25,350 for each of the years ended August 31, 2024 and 2023. The outstanding balance of this note was \$845,000 as of both August 31, 2024 and 2023. Cumulative deferred interest on this loan was \$135,991 and \$110,641 as of August 31, 2024 and 2023, respectively.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to expenditures for the following specified purposes as of August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditures for specified purpose:		
Programming	\$ 371,000	\$ 2,000
Studio space upgrades	-	300,000
Promises to give, the proceeds from which have been restricted by donors for:		
Programming	522,500	-
Subject to passage of time:		
Grants and contributions receivable	<u>304,228</u>	<u>1,356,291</u>
	<u>\$ 1,197,728</u>	<u>\$ 1,658,291</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Programming	\$ 32,000	\$ 331,099
Studio space upgrades	300,000	-
Other	-	4,130
Satisfaction of passage of time		
Grants and contributions received	<u>1,175,525</u>	<u>566,666</u>
	<u>\$ 1,507,525</u>	<u>\$ 901,895</u>

NOTE H - LEASE COMMITMENTS

PTC has a lease agreement for office space that has been recorded in accordance with ASC 842 as an operating lease. The lease commenced on February 1, 2023 and expires on January 31, 2028. Monthly rent under the lease is \$3,157 for the first year of the lease and then \$3,657 for the remaining four years of the lease term.

PTC also has operating lease agreements for various office equipment with monthly payments ranging from \$34 to \$217, with terms expiring through March 2026.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE H - LEASE COMMITMENTS (CONTINUED)

The liabilities under operating leases are recorded at the present value of the minimum lease payments. Lease expense of \$75,229 for the year ended August 31, 2024, relating to operating leases, consisting of right-of-use assets amortization and lease liability interest, is included in rent expense on the statement of functional expenses. Lease expense of \$28,722 for the year ended August 31, 2023, relating to operating leases, consisting of right-of-use assets amortization and lease liability interest, is included in rent expense on the statement of functional expenses.

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of August 31, 2024 and 2023 is as follows:

<u>Year Ending August 31,</u>	<u>2024</u>	<u>2023</u>
2024	\$ -	\$ 46,507
2025	45,283	45,283
2026	44,200	44,200
2027	42,684	42,684
2028	17,785	17,785
	149,952	196,459
Less: amount representing interest	(4,257)	(11,269)
	<u>\$ 145,695</u>	<u>\$ 185,190</u>
<u>Reported as of August 31,</u>	<u>2024</u>	<u>2023</u>
Current portion of lease liabilities	\$ 39,714	\$ 39,495
Lease liabilities, net of current portion	105,981	145,695
	<u>\$ 145,695</u>	<u>\$ 185,190</u>

As of August 31, 2024, the operating lease ROU assets and operating lease liabilities related to these agreements were \$141,595 and \$185,190, respectively. The weighted average remaining lease terms of these agreements is 3 years and weighted average discount rate is 3.48%. The total rent expense under these agreements was \$75,229 for the year ended August 31, 2024. The cash paid for amounts included in the measurement of lease liabilities under operating cash flows from operating leases was \$71,129.

As of August 31, 2023, the operating lease ROU assets and operating lease liabilities related to these agreements were \$182,390 and \$185,190, respectively. The weighted average remaining lease terms of these agreements is 4 years and weighted average discount rate is 3.48%. The total rent expense under these agreements was \$28,722 for the year ended August 31, 2023. The cash paid for amounts included in the measurement of lease liabilities under operating cash flows from operating leases was \$25,922.

PHILADELPHIA THEATRE COMPANY

Notes to Financial Statements August 31, 2024 and 2023

NOTE I - EMPLOYEE BENEFIT PLANS

PTC sponsors a defined-contribution 403(b) plan funded by eligible employee contributions, which provides for a discretionary PTC match of 50% of an employee's contribution, not to exceed 3% of an employee's annual salary up to \$80,000. As of January 2018, PTC froze the employer match. There was no pension expense for each of the years ended August 31, 2024 and 2023.

PTC has a nonqualified 457(f) deferred compensation plan, in which employees are eligible for participation after ten years of service, they are actively employed by PTC at the age of 62, and upon designation from the Board. On the first day of the month following Board designation, the beneficiary's account will be credited with a contribution calculated by using 3% of the participant's current salary, multiplied by the number of years and completed months of service. There were no eligible employees and no expense or liability as of or for either of the years ended August 31, 2024 or 2023.

NOTE J - SUBSEQUENT EVENTS

PTC has evaluated subsequent events through January 28, 2025, which is the date the financial statements were available to be issued.