

RAYMOND F. KRAVIS CENTER FOR
THE PERFORMING ARTS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 and 2023

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Raymond F. Kravis Center for the Performing Arts, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Raymond F. Kravis Center for the Performing Arts, Inc. (the "Organization"), which comprise the statements of financial positions as of June 30, 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 Raymond F. Kravis Center for the Performing Arts, Inc. as of June 30, 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 the Organization 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

The Organization's 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 the Organization'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 the Organization'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 Organization'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
West Palm Beach, Florida
November 11, 2024



RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,981,214	\$ 1,315,135
Investments	112,619,102	106,736,190
Pledges and contributions receivable, net	11,662,720	12,452,430
Prepaid expenses and other assets	1,851,648	1,545,834
Interest rate swaps	826,682	1,066,158
Property and equipment, net	79,410,589	81,836,737
	<u>79,410,589</u>	<u>81,836,737</u>
Total assets	<u>\$ 208,351,955</u>	<u>\$ 204,952,484</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,058,165	\$ 1,510,524
Advance ticket sales and theater rental deposits	8,621,268	9,245,621
Long-term debt, net	51,009,774	55,997,642
	<u>51,009,774</u>	<u>55,997,642</u>
Total liabilities	<u>61,689,207</u>	<u>66,753,787</u>
Commitment and contingencies (Note N)		
NET ASSETS		
Without donor restrictions	102,719,763	94,741,096
With donor restrictions	43,942,985	43,457,601
	<u>43,942,985</u>	<u>43,457,601</u>
Total net assets	<u>146,662,748</u>	<u>138,198,697</u>
	<u>\$ 208,351,955</u>	<u>\$ 204,952,484</u>

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statements of Activities and Changes in Net Assets

	Year Ended June 30,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Theater admission	\$ 24,142,149	\$ -	\$ 24,142,149	\$ 19,731,694	\$ -	\$ 19,731,694
Theater rentals	1,375,588	-	1,375,588	1,328,806	-	1,328,806
Other theater income	4,424,036	-	4,424,036	3,879,400	-	3,879,400
Contributions and sponsorships	2,408,422	4,524,315	6,932,737	3,504,067	4,887,397	8,391,464
Special events, net of direct benefit to donors of \$497,536 and \$325,650 for 2024 and 2023, respectively	950,000	-	950,000	830,000	-	830,000
	33,300,195	4,524,315	37,824,510	29,273,967	4,887,397	34,161,364
Net assets released from restrictions	8,558,263	(8,558,263)	-	10,477,989	(10,477,989)	-
Total public support and revenue	41,858,458	(4,033,948)	37,824,510	39,751,956	(5,590,592)	34,161,364
Expenses:						
Program services:						
Theater programming	26,691,947	-	26,691,947	23,041,743	-	23,041,743
Outreach and education	4,201,890	-	4,201,890	3,290,974	-	3,290,974
Theater operation	7,363,910	-	7,363,910	7,592,306	-	7,592,306
Total program services	38,257,747	-	38,257,747	33,925,023	-	33,925,023
Supporting services:						
Management and general	5,589,688	-	5,589,688	4,893,971	-	4,893,971
Fundraising and membership development	1,770,265	-	1,770,265	1,685,534	-	1,685,534
Total support services	7,359,953	-	7,359,953	6,579,505	-	6,579,505
Total expenses	45,617,700	-	45,617,700	40,504,528	-	40,504,528
Change in net assets before investment and other activity	(3,759,242)	(4,033,948)	(7,793,190)	(752,572)	(5,590,592)	(6,343,164)
Investment and other activity:						
Investment earnings, net	11,977,385	4,519,332	16,496,717	8,565,669	3,447,188	12,012,857
Unrealized (loss) gain on interest rate swaps	(239,476)	-	(239,476)	733,527	-	733,527
Loss on disposition of property and equipment	-	-	-	(16,959)	-	(16,959)
Net investment and other activity	11,737,909	4,519,332	16,257,241	9,282,237	3,447,188	12,729,425
Change in net assets	7,978,667	485,384	8,464,051	8,529,665	(2,143,404)	6,386,261
Net assets, beginning of year	94,741,096	43,457,601	138,198,697	86,211,431	45,601,005	131,812,436
Net assets, end of year	\$ 102,719,763	\$ 43,942,985	\$ 146,662,748	\$ 94,741,096	\$ 43,457,601	\$ 138,198,697

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statement of Functional Expenses

Year ended June 30, 2024

(with summarized information for June 30, 2023)

	Program Services				Supporting Services			Total Expenses	
	Theater Programming	Outreach and Education	Theater Operation	Program Services	Management and General	Fundraising and membership development	Total Supporting Services	2024	2023
Salaries, benefits and taxes	\$ 3,002,193	\$ 410,010	\$ 5,234,957	\$ 8,647,160	\$ 2,930,738	\$ 1,125,608	\$ 4,056,346	\$ 12,703,506	\$ 11,837,058
Artist amenities	309,103	251,064	-	560,167	-	-	-	560,167	510,912
Artist fees	12,811,831	1,557,378	-	14,369,209	-	-	-	14,369,209	11,333,995
Credit card processing fees	621,390	40,265	-	661,655	-	41,448	41,448	703,103	631,261
Décor for donor events	-	-	-	-	-	222,365	222,365	222,365	151,776
Food and beverage for donor related events	-	-	-	-	-	229,464	229,464	229,464	200,082
Institutional advertising	367,949	8,440	-	376,389	-	-	-	376,389	304,409
Interest expense	1,237,167	194,757	341,316	1,773,240	259,081	-	259,081	2,032,321	1,819,890
Maintenance and custodial	499,924	78,699	137,921	716,544	104,691	50,980	155,671	872,215	1,005,676
Miscellaneous presentation expenses	53,749	34,239	-	87,988	-	-	-	87,988	64,818
Office and information technology expenses	23,369	-	-	23,369	760,845	-	760,845	784,214	679,517
Other miscellaneous donor benefit items	-	-	-	-	-	260,693	260,693	260,693	145,531
Other miscellaneous expenses	12,188	3,378	74,091	89,657	156,221	-	156,221	245,878	222,734
Outside professional services	131,430	-	-	131,430	376,766	84,263	461,029	592,459	608,971
Outside security	-	-	255,691	255,691	-	-	-	255,691	153,350
Printing and promotional materials	-	-	751	751	-	93,347	93,347	94,098	96,769
Property and liability insurance	1,056,654	166,340	291,515	1,514,509	221,279	107,754	329,033	1,843,542	1,511,478
Show related advertising	1,277,070	220,405	-	1,497,475	-	-	-	1,497,475	1,631,059
Stage labor and technical costs	1,562,944	509,246	-	2,072,190	-	-	-	2,072,190	1,775,570
Student transportation costs	-	141,276	-	141,276	-	-	-	141,276	120,595
Utilities	508,735	80,086	140,352	729,173	106,537	51,879	158,416	887,589	928,117
Depreciation and amortization	3,216,251	506,307	887,316	4,609,874	673,530	-	673,530	5,283,404	5,096,610
Total expenses, excluding special events	26,691,947	4,201,890	7,363,910	38,257,747	5,589,688	2,267,801	7,857,489	46,115,236	40,830,178
Special events - cost of direct benefit to donors:									
Food and entertainment	-	-	-	-	-	(152,345)	(152,345)	(152,345)	(110,924)
Décor and other	-	-	-	-	-	(345,191)	(345,191)	(345,191)	(214,726)
	-	-	-	-	-	(497,536)	(497,536)	(497,536)	(325,650)
Total functional expenses	\$ 26,691,947	\$ 4,201,890	\$ 7,363,910	\$ 38,257,747	\$ 5,589,688	\$ 1,770,265	\$ 7,359,953	\$ 45,617,700	\$ 40,504,528

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statement of Functional Expenses Year ended June 30, 2023

	Program Services				Supporting Services			Total
	Theater Programming	Outreach and Education	Theater Operation	Program Services	Management and General	Fundraising and membership development	Total Supporting Services	
Salaries, benefits and taxes	\$ 2,573,452	\$ 360,315	\$ 5,322,139	\$ 8,255,906	\$ 2,570,679	\$ 1,010,473	\$ 3,581,152	\$ 11,837,058
Artist amenities	260,864	250,048	-	510,912	-	-	-	510,912
Artist fees	10,315,359	1,018,636	-	11,333,995	-	-	-	11,333,995
Credit card processing fees	552,792	23,279	-	576,071	-	55,190	55,190	631,261
Décor for donor events	-	-	-	-	-	151,776	151,776	151,776
Food and beverage for donor related events	-	-	-	-	-	200,082	200,082	200,082
Institutional advertising	292,977	11,432	-	304,409	-	-	-	304,409
Interest expense	1,080,230	154,286	355,938	1,590,454	229,436	-	229,436	1,819,890
Maintenance and custodial	561,538	80,203	185,028	826,769	119,268	59,639	178,907	1,005,676
Miscellaneous presentation expenses	45,066	19,752	-	64,818	-	-	-	64,818
Office and information technology expenses	-	-	60,198	60,198	619,319	-	619,319	679,517
Other miscellaneous donor benefit items	-	-	-	-	-	145,531	145,531	145,531
Other miscellaneous expenses	12,825	3,209	67,725	83,759	80,401	58,574	138,975	222,734
Outside professional services	175,215	-	-	175,215	343,006	90,750	433,756	608,971
Outside security	-	-	153,350	153,350	-	-	-	153,350
Printing and promotional materials	-	-	2,276	2,276	-	94,493	94,493	96,769
Property and liability insurance	843,961	120,540	278,087	1,242,588	179,254	89,636	268,890	1,511,478
Show related advertising	1,314,305	316,754	-	1,631,059	-	-	-	1,631,059
Stage labor and technical costs	1,469,739	305,831	-	1,775,570	-	-	-	1,775,570
Student transportation costs	-	120,595	-	120,595	-	-	-	120,595
Utilities	518,231	74,017	170,759	763,007	110,070	55,040	165,110	928,117
Depreciation	3,025,189	432,077	996,806	4,454,072	642,538	-	642,538	5,096,610
Total expenses, excluding special events	23,041,743	3,290,974	7,592,306	33,925,023	4,893,971	2,011,184	6,905,155	40,830,178
Special events - cost of direct benefit to donors:								
Food and entertainment	-	-	-	-	-	(110,924)	(110,924)	(110,924)
Décor and other	-	-	-	-	-	(214,726)	(214,726)	(214,726)
	-	-	-	-	-	(325,650)	(325,650)	(325,650)
Total functional expenses	\$ 23,041,743	\$ 3,290,974	\$ 7,592,306	\$ 33,925,023	\$ 4,893,971	\$ 1,685,534	\$ 6,579,505	\$ 40,504,528

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 8,464,051	\$ 6,386,261
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,283,404	5,096,610
Amortization of bond issuance costs	12,132	12,132
Contributions received and restricted for capital campaign	(1,104,237)	(4,392,716)
Contributions received for permanently restricted endowment	(15,956)	(78,268)
Net realized and unrealized gains on investments	(13,409,762)	(8,558,899)
Unrealized loss (gain) on interest rate swaps	239,476	(733,527)
Donated securities	(217,229)	(281,323)
Proceeds from the sale of donated securities	213,028	281,323
Loss on disposition of property and equipment	-	16,959
Changes in:		
Pledges and contributions receivable	789,710	3,623,409
Prepaid and other assets	(305,814)	(572,005)
Accounts payable and accrued expenses	547,641	591,944
Advance ticket sales and theater rental deposits	(624,353)	2,573,309
Net cash (used in) provided by operating activities	<u>(127,909)</u>	<u>3,965,209</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,857,256)	(2,078,087)
Proceeds from sales of investments	23,993,193	14,063,319
Purchases of investments	(16,462,142)	(20,015,606)
Net cash provided by (used in) investing activities	<u>4,673,795</u>	<u>(8,030,374)</u>
Cash flows from financing activities:		
Paydown on long term debt	(5,000,000)	-
Contributions received for permanently restricted endowment	15,956	78,268
Contributions received and restricted for capital campaign	1,104,237	4,392,716
Net cash (used in) provided by financing activities	<u>(3,879,807)</u>	<u>4,470,984</u>
Net change in cash and cash equivalents	666,079	405,819
Cash and cash equivalents, beginning of year	<u>1,315,135</u>	<u>909,316</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,981,214</u></u>	<u><u>\$ 1,315,135</u></u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u><u>\$ 2,253,676</u></u>	<u><u>\$ 1,410,137</u></u>

See notes to financial statements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE A - ORGANIZATION

Raymond F. Kravis Center for the Performing Arts, Inc. (the "Organization") is a performing arts facility (the "Center") in West Palm Beach, Florida, consisting of a 2,200-seat theater, a 350-seat playhouse, and a five-story multi-purpose building. The Organization's customers and donors consist primarily of residents of Palm Beach County, Florida, and neighboring areas.

NOTE B - SUMMARY OF SIGNIFICANT POLICIES

[1] Basis of accounting:

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting conforming to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit entities.

[2] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

[3] Cash and cash equivalents:

For financial-reporting purposes, the Organization considers all highly liquid instruments, purchased with an original maturity of three months or less, to be cash equivalents, with the exception of those cash and cash equivalents that are part of the Organization's investment portfolio.

[4] Investments:

The Organization's investments in equity securities and exchange-traded funds, corporate debt securities, U.S. government obligations, fixed income funds and structured investment notes are reported at their fair values in the statements of financial position based on quoted market prices. Cash and cash equivalents held as part of the investment portfolio are also included in the balances reported as investments. The Organization's investments in private equity, hedge and real estate investment funds are valued at their daily net asset value ("NAV"). If the reported NAV of the alternative investments are not calculated in a manner consistent with the measurement accounting principles under U.S. GAAP, then the Organization adjusts the reported NAV to reflect the impact of those measurement principles.

The Organization's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost basis to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investments' costs to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[4] Investments: (continued)

Donated securities are recorded at their estimated fair values on the dates of donation. The Organization's policy is to sell donated securities immediately and, accordingly, for the purpose of the statements of cash flows, donated securities and the proceeds generated from their sales are included within operating activities.

Investment expenses include the services of bank trustees, investment managers, and custodians. The balances of investment management fees disclosed in Note D are those specific fees charged by the Organization's various investment managers in each fiscal year; however, they do not include those fees that may be embedded in various other investment accounts and transactions.

[5] Pledges and contributions receivable, net:

Unconditional pledges and contributions are recorded as receivables at the time such pledges are received. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is included in contributions and sponsorships revenue.

Pledges receivable are periodically reviewed by management for collectability. Bad debts are provided for on the allowance method based on historical experience and management's evaluation of outstanding pledges receivable. Pledges are written off when they are deemed uncollectible. Management has recorded no allowance as of June 30, 2024 and 2023.

[6] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, net of accumulated depreciation. The Organization capitalizes as assets those items of property and equipment that have a cost of \$500 or more and have useful lives greater than one year, whereas minor costs for repairs and maintenance are expensed as incurred. Depreciation and amortization of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets. Buildings and parking garage are depreciated over 40 years, furniture, fixtures and equipment range from 5 to 10 years, and computer software is amortized over 5 years.

Management evaluates the recoverability of the investment in long-lived assets on an on-going 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. There were no triggering events during the fiscal years 2024 and 2023 requiring management to test for impairment adjustment to property and equipment. However, 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] Net assets:

The net assets of the Organization and the changes therein are reported as follows:

(i) *Net assets without donor restrictions:*

The Organization's net assets without donor restrictions represent those resources that are not subject to donor-imposed restrictions (or certain grantor-imposed) as to their use and are available for current operations. The Board-designated funds, the related resources of which are subject to future uses at the discretion of the Board of Directors, are without donor restrictions and serve as funds reserved by the Board that are not considered endowments (see Note K).

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[7] Net assets: (continued)

(ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to donor-imposed or certain grantor-imposed restrictions, such as specific purposes and/or the passage of time. Also included in net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from underlying assets to be used in the satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as "net assets released from restrictions."

[8] Bond issue costs:

Bond issue costs are capitalized and amortized on the straight-line basis over the term of the bonds and are presented in the statements of financial position as a direct deduction from the related liability. As of June 30, 2024 and 2023, bond issue costs totaled \$430,390, less accumulated amortization of \$170,164 and \$158,032, respectively. Amortization for each of the years ended June 30, 2024 and 2023 totaled \$12,132 and is recorded as interest expense. Future amortization will be approximately \$12,000 per year.

[9] Revenue recognition:

The Organization has five main sources of revenue: theater admissions revenue, theater rentals, other theater income, contributions and sponsorships, and special events revenue.

(i) Theater admissions and theater rentals:

The majority of the Organization's revenues from contracts with customers are generated from theater admissions and theater rentals that are considered to be single performance obligations. Revenues for performance obligations satisfied at a point in time are recognized when the services are provided, which is when the related theater performances are presented. Tickets for theater performances are generally made available for purchase at the time the theater performance is advertised, which is less than one year prior to the date of the performance, and are nonrefundable. Payments for theater rentals are generally paid less than one year in advance of the theater performance.

Payments received for advance ticket sales and theater rentals are reported as a liability for advance ticket sales and theater rental deposits until the theater performance is presented. The aggregate amount of the Organization's contract performance obligation includes advance ticket sales, theater rental deposits and gift certificates which are reported as a current liability on the statements of financial position. The liability for advance ticket sales and theater rental deposits totaled \$7,868,639, \$8,385,439, and \$5,227,695 as of June 30, 2024, 2023, and July 1, 2022, respectively. Because the performance obligation for advance ticket sales and theater rental deposits relate to contracts with a duration of less than one year, the Organization has elected to apply the practical expedients not to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period and not to capitalize the incremental costs of obtaining contracts. The performance obligations for advance ticket sales and theater rental deposits will generally be completed in the following fiscal year when the theater performance is presented.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[9] Revenue recognition: (continued)

(i) *Theater admissions and theater rentals:* (continued)

Gift certificates purchased by customers are not recognized as revenues until the gift certificate is redeemed for tickets to a theater performance and the performance is presented. Gift certificates may also be issued to customers in certain hardship cases, such as a serious illness where the customer was unable to attend a theater performance. Gift certificates do not carry an expiration date and, therefore, customers can redeem their gift certificates for tickets to theater performances indefinitely. Historical trends indicate that a majority of gift certificates will not be fully redeemed. Management periodically estimates the unredeemed balances for gift certificates and recognizes revenue for these amounts in other theater income over the expected redemption period. The contract performance obligation related to gift certificates was \$752,629, \$860,182, and \$1,444,617 as of June 30, 2024, 2023, and July 1, 2022, respectively, and is included in the total liability for advance ticket sales and theater rental deposits reported on the statements of financial position.

(ii) *Other theater income:*

Other theater income includes theater performance related services such as ticket handling fees, valet parking revenues, concession revenues and contract reimbursements for labor and equipment that are considered to be single performance obligations recognized when the related theater performances are presented.

(iii) *Contributions and sponsorships:*

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are 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 substantially met.

(iv) *Special events revenue:*

The Organization conducts special events whereby a portion of the gross proceeds paid by the attendees at these events, held as fundraising activities, represents contribution revenue, and the other portion represents the payment of the direct costs of the benefits received by the attendees at the event. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs, and attendees can no longer request a refund of their tickets purchased.

[10] Contributed services:

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in the accompanying financial statements since it does not meet accounting recognition requirements.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE B - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

[11] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present expenses by natural classification and function. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Indirect costs such as maintenance and custodial, property and liability insurance, depreciation, interest expense and utilities have been functionalized on the basis of estimates of time and effort.

[12] Advertising:

Advertising costs are expensed as incurred. Such expenses for the years ended June 30, 2024 and 2023 were approximately \$1,874,000 and \$1,935,000, respectively, and included in institutional and show related advertising in the accompanying statements of functional expenses.

[13] Labor costs:

Certain employees that provided stage production services represented approximately 10.29% and 10.61% of the Organization's total labor costs for the years ended June 30, 2024 and 2023, respectively, and were covered by a collective bargaining agreement that expires on June 30, 2027. The Organization's other employees are not represented by a union.

[14] Federal tax status:

The Organization is subject to the provisions of FASB's ASC Topic 740, *Income Taxes*, as it related to accounting and reporting for uncertainty in income taxes. Because of the Organization's tax exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements. U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability if the Center 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 the Organization and has concluded that as of June 30, 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.

[15] Adoption of new accounting principle:

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") NO. 2016-13, *Financial Instruments - Credit Losses on Financial Instruments* ("Topic 326"). Topic 326 amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For assets held at amortized cost basis, this update eliminated the probably initial recognition threshold in current U.S. GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The Organization adopted Topic 326 on July 1, 2023, using the modified retrospective method and the adoption and application of the standard had no material effect on these financial statements.

[16] Reclassification:

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of activities.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE C - LIQUIDITY

Financial assets and funding available for general expenditure, that is, without donor or Board restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	June 30,	
	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 1,981,214	\$ 1,315,135
Investments	112,619,102	106,736,190
Pledges and contributions receivable, net	<u>11,662,720</u>	<u>12,452,430</u>
	<u>126,263,036</u>	<u>120,503,755</u>
Less: amounts unavailable for general expenditure within one year, due to:		
Restrictions by donors with time restrictions	9,751,104	9,993,280
Restrictions by donors that are perpetual in nature	<u>20,149,846</u>	<u>20,133,890</u>
	<u>29,900,950</u>	<u>30,127,170</u>
Less: amounts unavailable to management without Board approval:		
Investment earnings available for appropriation	6,524,495	3,615,898
Board-designated funds (Note K)	<u>85,971,659</u>	<u>78,120,397</u>
	<u>92,496,154</u>	<u>81,736,295</u>
Net assets subject to Board restrictions approved for release subsequent to year-end	<u>1,366,750</u>	<u>1,175,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,232,682</u>	<u>\$ 9,815,290</u>

The Organization's endowments of \$20,149,846 and \$20,133,890 as of June 30, 2024 and 2023, respectively, are subjected to an annual spending rate of up to 5% of principal from the donor restricted and Board-designated endowment assets as described in Note M. Although the Organization does not intend to spend from Board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note I, the Organization also has a committed line-of-credit in the amount of \$5,000,000 as of June 30, 2024 and 2023, all of which can be drawn upon in the event of an unanticipated liquidity need.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE D - INVESTMENTS

The following is a summary of investments as of June 30, 2024 and 2023:

	June 30,	
	2024	2023
Marketable securities:		
Cash and cash equivalents	\$ 10,280,620	\$ 9,706,514
Equity securities and exchange-traded funds	48,624,553	40,863,612
Corporate debt securities	1,639,659	1,815,145
U.S. government obligations	-	4,962,210
Fixed income funds	12,444,146	11,290,535
	72,988,978	68,638,016
Alternative investments:		
Structured investment notes	37,134,075	35,420,025
Private equity funds	2,477,351	2,655,634
Hedge fund	6,723	5,693
Real estate investment funds	11,975	16,822
	39,630,124	38,098,174
	\$ 112,619,102	\$ 106,736,190

Marketable Securities: Cash and cash equivalents consists of deposits with financial institutions and money market mutual funds. Equity securities and funds include domestic and international preferred and common stocks; mutual funds investing in domestic and international equities, commodities and real estate; exchange-traded equity index funds; publicly traded master limited partnership interests; and, option contracts. Corporate debt securities include domestic and international corporate bonds and convertible bonds. U.S. government obligations include U.S. treasury notes. Fixed income funds include mutual funds investing in domestic and foreign corporate, government, agency, mortgage-backed, high yield and other fixed income securities.

Alternative Investments: As of June 30, 2024 and 2023, approximately 35.2% and 35.7%, respectively, of the Organization's total investment portfolio was invested in alternative investments consisting of structured investment notes, private equity funds, a hedge fund and real estate investment funds. The investment objectives and terms of the alternative investment funds are summarized as follows:

Structured Investment Notes: The structured investment notes were issued by international banks and had a face value of \$30,000,000 and \$32,500,000 as of June 30, 2024 and 2023, respectively. The notes are unsecured debt of the banks and mature on dates ranging from September 2024 through November 2028. Notes with a face value of \$17,500,000 may generally be redeemed quarterly and pay interest quarterly at a coupon rate of 7.0% to 11.0% per annum if the specified performance criteria of the underlying equity market indices is met. The remaining notes do not pay interest and may not be redeemed prior to maturity. The earnings or losses on those notes are based on various percentage participation factors linked to changes in various equity market indices. The structured investment notes are generally not publicly traded or readily marketable and their value is determined based on the underlying equity indices.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE D - INVESTMENTS (CONTINUED)

Private Equity Funds: The primary investment objective of the private equity funds is to generate returns greater than that of the broad U.S. or global stock markets. These funds are approximately 80% invested in U.S. stock markets and approximately 20% in international stock markets. Redemptions are not permitted during the life of the funds. Of the four private equity funds held by the Organization as of June 30, 2024, one of the funds with an investment balance of approximately \$24,000 are currently liquidating and the three remaining funds will operate beyond 2024. The Organization had remaining unfunded commitments of approximately \$3,281,000 as of June 30, 2024 for the active private equity funds.

Hedge Fund: The primary investment objective of the hedge fund is to provide long-term capital appreciation while attempting to reduce risk and volatility using multiple investment strategies. The fund invests in various U.S. and international equity and credit market instruments, including equity trading, long/short positions, corporate and convertible bonds, convertible and merger arbitrage, credit and currency trading and credit and equity derivatives. The fund entered liquidation on October 1, 2019 and redemptions are no longer permitted.

Real Estate Investment Fund: The primary investment objective of the real estate fund is to provide attractive risk-adjusted returns primarily through equity and equity-related investments in properties, real estate companies and service businesses ancillary to the real estate industry on a global basis. The fund may also invest in debt instruments, including nonperforming loans and other distressed debt instruments, or securities that meet the investment profile. Redemptions are not permitted during the life of the fund. The real estate fund held by the Organization is in liquidation.

The alternative investments expose the Organization to certain additional investment risks, including liquidity risks, interest rate risks, foreign currency risks, derivative risks, counterparty risks, foreign political, economic, and governmental risks, and market risks. Due to the level of risk associated with the Organization's investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

State of Florida Endowment Investments: The Organization participates in the State of Florida Fine Arts Endowment Program, which requires the Organization to match the State grants and maintain the original amount of the State grants and matching funds in perpetuity. As of June 30, 2024 and 2023, the State grants and matching funds totaled \$2,400,000. The Organization does not maintain separate investment accounts for the State grants, but the following investments were designated and invested in accordance with the requirements of the State of Florida Fine Arts Endowment Program and include unspent earnings on the original principal amounts:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Fixed income fund	<u>\$ 2,890,911</u>	<u>\$ 2,656,943</u>

Investment earnings in the statements of activities and changes in net assets are recorded net of investment fees of \$359,958 and \$302,181 for the years ended June 30, 2024 and 2023, respectively.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE E - PLEDGES AND CONTRIBUTIONS RECEIVABLE, NET

The Organization has received pledges and contributions, some of which are receivable in future years. Pledges and contributions that are receivable in more than one year are discounted at a risk-free rate of return appropriate for the expected term of the promise to give to approximate the net present value of the estimated future cash flows. In considering estimated cash flows, the Organization considers the creditworthiness of the donors, the Organization's past collection experience and its procedures to collect promises to give.

Pledges and contributions receivable, net, consist of the following:

	June 30,					
	2024			2023		
	Pledges Receivable (a)	Restricted for Future Annual Contributions and Sponsorships	Total	Pledges Receivable (a)	Restricted for Future Annual Contributions and Sponsorships	Total
Receivable in less than one year	\$ 777,859	\$ 1,133,757	\$ 1,911,616	\$ 992,217	\$ 1,466,933	\$ 2,459,150
Receivable in one to five years	6,489,684	3,184,940	9,674,624	6,181,563	2,654,406	8,835,969
Receivable in more than five years	10,000	1,039,005	1,049,005	1,205,000	938,143	2,143,143
	<u>7,277,543</u>	<u>5,357,702</u>	<u>12,635,245</u>	<u>8,378,780</u>	<u>5,059,482</u>	<u>13,438,262</u>
Less: discount to net present value	<u>302,217</u>	<u>670,308</u>	<u>972,525</u>	<u>429,018</u>	<u>556,814</u>	<u>985,832</u>
	<u>\$ 6,975,326</u>	<u>\$ 4,687,394</u>	<u>\$ 11,662,720</u>	<u>\$ 7,949,762</u>	<u>\$ 4,502,668</u>	<u>\$ 12,452,430</u>

The discount rates used ranged from 0.66% to 4.33%. The discounts will be recognized as contribution income over future years.

(a) Pledges receivable consisted of the following:

	June 30,	
	2024	2023
Donor restricted gifts in perpetuity	\$ 5,000	\$ 2,000
Donor restricted for capital campaign	<u>6,970,326</u>	<u>7,947,762</u>
	<u>\$ 6,975,326</u>	<u>\$ 7,949,762</u>

The gross pledges receivable include amounts due from Board Members which totaled approximately \$1,869,000 and \$2,278,000 as of June 30, 2024 and 2023, respectively.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

**Notes to Financial Statements
June 30, 2024 and 2023**

NOTE F - INTEREST RATE SWAPS

The Organization entered into an interest rate swap transaction in 2013 to manage its exposure to the variability of future cash flows resulting from changes in the interest rate on the \$41,500,000 Variable Rate Demand Revenue Bonds issued by Palm Beach County, Florida (see Note J). The notional amount of the swap is one-half of the outstanding principal of the bonds or \$18,135,000 and expires on April 2, 2029. The Organization receives payments from the counterparty at the variable interest rate on the bonds and makes payments to the counterparty at a fixed rate of 2.63%.

On April 11, 2021, the Organization entered into an interest rate swap transaction on the \$20,000,000 Industrial Development Revenue Bond (see Note J). The notional amount of the swap is one-half of the then outstanding principal of the bonds or \$10,000,000. The Organization receives payments from the counterparty at the variable interest rate on the bonds and makes payments to the counterparty at a fixed rate of 1.92%. The swap expires on April 1, 2026.

The Organization has not designated the swaps as hedging instruments. Accordingly, the swaps are recorded as an asset or liability at fair value, with changes in fair value included in the change in net assets without donor restrictions in the period of change. The estimated fair value of the swaps as of June 30, 2024 and 2023 was an asset of \$826,682 and \$1,066,158, respectively. The net payments and changes in fair value of the swap for the years ended June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Net realized credits on swap settlements	\$ 508,285	\$ 196,591
Unrealized (loss) gain	<u>(239,476)</u>	<u>733,527</u>
	<u>\$ 268,809</u>	<u>\$ 930,118</u>

The net realized credits on swap settlements is included in interest expense and the net unrealized (loss) gain is reflected as unrealized (loss) gain on interest rate swaps in investment and other activity without donor restrictions in the accompanying statements of activities and changes in net assets.

NOTE G - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. The 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 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 Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; or (4) 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.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

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

Following is a description of the valuation methodologies used for investment assets and interest rate swaps measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 and 2023:

Equity securities and exchange-traded funds - Valued at the closing price reported on the active market on which the individual securities and funds are traded.

Corporate debt securities - The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (when observable), bond spreads, fundamental data relating to the issuer and credit default swap spreads adjusted for differences between cash and derivative instruments.

U. S. government obligations - The fair value of U.S. government obligations are based on quoted market prices in active markets.

Fixed income funds - Valued at the closing price reported on the active market on which the individual funds are traded.

Structured investment notes - Valued by the issuer or other third parties by reference to the underlying indices for the securities.

Private equity funds, hedge fund and real estate investment funds - Valued at the unadjusted NAV per share, without giving consideration to certain attributes of the investment or transaction prices from principal-to-principal or brokered transactions pursuant to the practical expedient method permitted by ASU 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. Certain funds are valued as deemed appropriate by the fund manager, in consultation with the respective investment manager, with consideration given to the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. The funds in liquidation are valued at net realizable value as determined by the investment manager.

Interest rate swap - Valued by the counterparty using one or more proprietary models using inputs that are derived principally from or corroborated by observable market data.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities and exchange-traded funds	\$ 48,624,553	\$ -	\$ -	\$ 48,624,553
Corporate debt securities	-	1,639,659	-	1,639,659
Fixed income funds	12,444,146	-	-	12,444,146
Structured investment notes	-	-	37,134,075	37,134,075
	<u>61,068,699</u>	<u>1,639,659</u>	<u>37,134,075</u>	<u>99,842,433</u>
Interest rate swaps asset	-	826,682	-	826,682
	<u>\$ 61,068,699</u>	<u>\$ 2,466,341</u>	<u>\$ 37,134,075</u>	<u>100,669,115</u>
Private equity, hedge and real estate investment funds (A)				<u>2,496,049</u>
				<u>\$ 103,165,164</u>

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities and exchange-traded funds	\$ 40,863,612	\$ -	\$ -	\$ 40,863,612
Corporate debt securities	-	1,815,145	-	1,815,145
U.S. government obligations	4,962,210	-	-	4,962,210
Fixed income funds	11,290,535	-	-	11,290,535
Structured investment notes	-	-	35,420,025	35,420,025
	<u>57,116,357</u>	<u>1,815,145</u>	<u>35,420,025</u>	<u>94,351,527</u>
Interest rate swaps asset	-	1,066,158	-	1,066,158
	<u>\$ 57,116,357</u>	<u>\$ 2,881,303</u>	<u>\$ 35,420,025</u>	<u>95,417,685</u>
Private equity, hedge and real estate investment funds (A)				<u>2,678,149</u>
				<u>\$ 98,095,834</u>

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE G - FAIR VALUE MEASUREMENTS (CONTINUED)

A summary of the changes in the Level 3 investments measured at fair value for the years ended June 30, 2024 and 2023 is as follows:

	June 30,	
	2024	2023
Balance at beginning of year	\$ 35,420,025	\$ 28,301,075
Net realized gain	300,000	1,937,701
Net unrealized gains related to assets held at year-end	4,214,050	2,920,025
Purchases	1,500,000	7,450,000
Sales and redemptions	(4,300,000)	(5,188,776)
Balance at end of year	<u>\$ 37,134,075</u>	<u>\$ 35,420,025</u>

The following table describes the funding commitment and redemption information for the Organizations' investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	\$ 2,477,351	\$ 3,280,722	N/A	N/A
Hedge funds	6,723	-	N/A	N/A
Real estate investment funds	11,975	281,624	N/A	N/A
	<u>\$ 2,496,049</u>	<u>\$ 3,562,346</u>		

NOTE H - PROPERTY AND EQUIPMENT, NET

Major classes of property and equipment, net and accumulated depreciation as of June 30, 2024 and 2023 are as follows:

	2024	2023
Land	\$ 4,499,300	\$ 4,499,300
Buildings	127,858,427	127,764,711
Furniture, fixtures and equipment	28,618,822	26,581,784
Parking garage	7,631,770	7,631,770
Computer software	811,752	85,250
	<u>169,420,071</u>	<u>166,562,815</u>
Less: accumulated depreciation	<u>90,009,482</u>	<u>84,726,078</u>
	<u>\$ 79,410,589</u>	<u>\$ 81,836,737</u>

Depreciation and amortization for the years ended June 30, 2024 and 2023 was \$5,283,404 and \$5,096,610, respectively.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

**Notes to Financial Statements
June 30, 2024 and 2023**

NOTE I - LINE-OF-CREDIT

In December 2018, the Organization entered into a line-of-credit agreement with UBS Bank USA authorizing a maximum borrowing of \$5,000,000. Advances on the line-of-credit are due on demand and for the years ended June 30, 2024 and 2023, bear interest at a variable rate based UBS Variable Rate, plus a percentage spread set forth in the line-of-credit agreement (6.259% and 5.988% as of June 30, 2024 and 2023, respectively). If requested by the Organization, advances greater than or equal to \$25,000 on the line-of-credit may instead bear interest at a fixed rate determined on the date of the advance based on a tiered interest structure that incorporates the 30-day Secured Overnight Financing Rate (“SOFR”) average rate, or UBS Bank USA Fixed Funding Rate and a percentage spread set forth in the line-of-credit agreement that varies based on the amount and duration of the advance. Borrowings on the line-of-credit are secured by a first lien on the Organization’s cash and investments held by UBS Bank USA which totaled approximately \$28,980,000 and \$33,200,000 as of June 30, 2024 and 2023, respectively. The line-of-credit has no stated expiration date. There was no outstanding balance on the line-of-credit as of June 30, 2024 and 2023.

NOTE J - LONG-TERM DEBT

Long-term debt, net of unamortized bond issue costs, as of June 30, consisted of the following:

	2024	2023
Variable rate demand revenue bonds	\$ 36,270,000	\$ 36,270,000
Industrial development revenue bond	15,000,000	20,000,000
	51,270,000	56,270,000
Unamortized debt issuance costs	(260,226)	(272,358)
	\$ 51,009,774	\$ 55,997,642

Variable Rate Demand Revenue Bonds: In June 2002, Palm Beach County, Florida (the “County”), issued \$41,500,000 of tax exempt, Variable Rate Demand Revenue Bonds, designed specifically for not-for-profit organizations. The bonds, which are publicly-traded conduit debt securities, were issued under a Trust Indenture between the County and Wells Fargo Bank, N.A., acting as trustee to provide the funds to the Organization. In June 2002, the County loaned the proceeds of the bonds to the Organization pursuant to a loan agreement. The bonds were issued for the purposes of providing the Organization with the funds necessary to finance (1) the acquisition of the existing parking garage from the City of West Palm Beach, Florida; (2) the demolition of the then existing Cohen Pavilion (the Center’s former banquet hall); (3) the construction of a new five-story, multi-purpose support building, and renovations to certain areas of the existing Center; and (4) certain costs incurred in connection with the issuance of the bonds. The new multi-purpose support building, which opened in the fall of 2003, includes approximately 54,000 square feet of parking on two levels and 102,000 square feet of additional space located on three floors, which houses multi-purpose areas, a kitchen area, education/rehearsal space and administrative offices.

The bonds mature on July 1, 2032, with interest accruing under one of four interest rate modes, at the Organization’s option: daily or weekly variable rate, a Commercial Paper Rate or a Fixed Rate. Effective April 1, 2013, the Organization entered into an interest rate swap agreement with Northern Trust Bank for one-half of the then outstanding bond issue or \$18,135,000, which effectively locked in a fixed rate of 1.86% per annum on that portion of the bonds. This swap agreement was terminated in April 2022 and replaced with a new swap agreement with a fixed rate of 2.63% per annum. The remaining balance of the bonds continues to bear interest under the weekly variable rate mode, which was 3.91% and 4.04% as of June 30, 2024 and 2023, respectively. The terms of the loan agreement between the Organization and the County permit complete or partial early redemption with appropriate notice. The outstanding balance on the bonds as of June 30, 2024 and 2023 was \$36,270,000 and unamortized bond issue costs totaled \$126,236 and \$132,880, respectively.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE J - LONG-TERM DEBT (CONTINUED)

The loan agreement is collateralized by an irrevocable, direct-pay letter of credit issued by Northern Trust Bank pursuant to a reimbursement agreement and expires on June 30, 2026. The reimbursement agreement requires the Organization to pay the bank certain annual fees and expenses (including a letter-of-credit fee of 0.50%) and to maintain certain affirmative and negative covenants. The reimbursement agreement was also secured by a first mortgage on the Organization's land and all improvements for the portion of the Organization's property under the facility constructed in 2002 and a second mortgage on the land and improvements under the facilities constructed prior to 2002. The City of West Palm Beach and the County, which donated a total of \$15,000,000 to the Organization, hold a subordinated mortgage on the Organization's land and building equivalent to their contributions. The subordinated mortgage balance is reduced by 2.5% annually over a 40-year period that commenced in February 1994. As of June 30, 2024 and 2023, the subordinated mortgage balance was \$3,562,500 and \$3,937,500, respectively. There is no mortgage on the 1.9 acres of vacant land adjacent to the Center. In conjunction with the issuance of the industrial development revenue bond in 2018, the first and second mortgages were satisfied and released.

Industrial Development Revenue Bond: In December 2018, the County issued a \$20,000,000 tax exempt Industrial Development Revenue Bond to Northern Trust Company and loaned the proceeds to the Organization pursuant to a financing agreement. The bond was issued for the purposes of providing the funds necessary to finance the acquisition, construction, renovation and equipping of various capital improvements to the Organization's facilities. These improvements include, without limitation, implementing new technological improvements throughout the facilities, the addition of a new entrance and exit ramp to the fourth floor of the parking garage, construction and improvements to certain drop-off areas and canopies, and construction and equipping of a new valet parking garage.

Effective April 11, 2021, the Organization entered into an interest rate swap agreement with Northern Trust Bank for one-half of the then outstanding bond issue or \$10,000,000, which effectively locked in a fixed rate of 1.92% per annum on that portion of the bond. Interest on the remaining balance of the bond is payable semi-annually, commencing on January 1, 2019, at a variable rate based on the one-month LIBOR rate administered by the ICE Benchmark Administration multiplied by 0.83, plus 0.94%. In December 2022, the Center entered into an amendment to the Financing Agreement to replace the LIBOR rate with the Daily Simple SOFR-Based rate. Interest to be calculated based on the sum of the Applicable Percentage multiplied by the Daily Simple SOFR-Based plus the Applicable Spread multiplied by the Margin Rate Factor (5.35% and 5.99% as of June 30, 2024 and 2023, respectively). The principal amount of the debt is payable at maturity on December 1, 2048. The terms of the financing agreement between the Organization and the County permit complete or partial early redemption with appropriate notice. On April 3, 2024 the Organization paid down \$5,000,000 of the variable rate portion of the bond, along with accrued interest. The outstanding balance on the bond as of June 30, 2024 and 2023 was \$15,000,000 and \$20,000,000, respectively, and unamortized bond issue costs totaled \$133,990 and \$139,478, respectively. The loan agreement is collateralized by substantially all assets of the Organization pursuant to a security agreement. The financing agreement also requires the Organization to maintain certain affirmative and negative covenants and limits the Organization's future borrowing to \$1,000,000 and capital expenditures to \$2,000,000 annually without approval of the bondholder. Effective October 24, 2023, the capital expenditure covenant was raised to \$5,000,000.

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Notes to Financial Statements June 30, 2024 and 2023

NOTE K - BOARD DESIGNATED FUNDS

The Board of Directors has designated net assets without donor restrictions as of June 30, which is composed of the following:

	June 30,	
	<u>2024</u>	<u>2023</u>
Unrestricted Board-designated funds:		
General use funds:		
Balance, beginning of year	\$ 10,727,271	\$ 2,991,823
Investment gain	1,520,969	1,302,070
Transfer (to) from operations	<u>(2,125,414)</u>	6,433,378
Balance, end of year	<u>10,122,826</u>	10,727,271
Capital Campaign funds:		
Balance, beginning of year	67,393,126	61,785,057
Investment gain	10,349,095	7,215,442
Change in present value discount	126,801	200,385
Transfer to operations	<u>(2,020,189)</u>	(1,807,758)
Balance, end of year	<u>75,848,833</u>	67,393,126
Unrestricted Board-designated funds balance, end of year	<u>\$ 85,971,659</u>	<u>\$ 78,120,397</u>

The Board-designated amounts may be changed by a vote of the Board of Directors at any time. The funds for general use above are generally used for capital expenditures and the capital campaign funds are generally used for debt service expenses on bonds (see Note J).

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Restrictions on assets are imposed by donors and include restrictions for specified programs, specified purposes and in perpetuity. In addition, pledges that are receivable over a period of time are considered donor restricted until the cash is received, at which time the restriction is released if the pledge did not have a purpose restriction. Pledges and donations received with purpose restrictions remain restricted until expenditures are incurred for the restricted purpose or for capital expenditures, when the assets are placed in service, at which time the purpose restriction is released.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions as of June 30, 2024 and 2023 consist of the following:

	June 30,	
	2024	2023
Subject to expenditure for specified purpose:		
Pledge receivable, restricted for Capital Campaign	\$ 6,970,326	\$ 7,947,762
Kravis Foundation for future programming support	1,557,970	1,582,970
Educational program support	107,693	692,681
PEAK program support	1,842,239	1,968,868
Technology fund	38,200	705,160
	10,516,428	12,897,441
Subject to the passage of time:		
Future sponsorship or programs		
annual contributions and sponsorships	4,687,394	4,502,668
Other	2,064,822	2,307,704
	6,752,216	6,810,372
	17,268,644	19,707,813
Endowment:		
Subject to appropriation and expenditure when a		
specified event occurs	6,524,495	3,615,898
Perpetual in nature, earnings from which are subject to		
endowment spending policy and appropriation:		
General use	20,144,846	20,131,890
Pledge receivable	5,000	2,000
	20,149,846	20,133,890
Total endowments	26,674,341	23,749,788
	\$ 43,942,985	\$ 43,457,601

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors for the years ended June 30, 2024 and 2023 are as follows:

	June 30,	
	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Pledge receivable, restricted for Capital Campaign	\$ 1,104,237	\$ 4,392,816
Kravis Foundation for future programming support	25,000	25,000
Educational program support	650,000	600,000
For technology expenditures	727,342	85,250
PEAK program support	<u>319,223</u>	<u>332,372</u>
	<u>2,825,802</u>	<u>5,435,438</u>
Satisfaction time restriction:		
Future sponsorships or programs		
annual contributions and sponsorships	3,352,677	2,442,715
Other	<u>1,087,037</u>	<u>1,431,914</u>
	<u>4,439,714</u>	<u>3,874,629</u>
Restricted-purpose spending-rate distributions and appropriations	<u>1,292,747</u>	<u>1,167,922</u>
	<u>\$ 8,558,263</u>	<u>\$ 10,477,989</u>

NOTE M - ENDOWMENT FUNDS

The Organization's endowments consist of a number of funds established for a variety of purposes and include both donor restricted endowment funds and funds without donor restrictions that are designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted endowment funds reported as net assets with donor restrictions consist of contributions that must be maintained in perpetuity. The earnings on these assets may be used to support the Organization's activities and are used as needed and approved by the Board. Net assets restricted by donors in perpetuity totaled \$20,149,846 and \$20,133,890 as of June 30, 2024 and 2023, respectively. Board-designated endowments are reported as net assets without donor restrictions.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. Effective July 1, 2012, the State of Florida enacted a version of UPMIFA, known as the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") that governs the investment, management and spending of donor restricted endowment funds by Florida not-for-profit organizations. Absent explicit donor stipulations, FUPMIFA generally requires prudent care in investing, managing and developing spending plans for donor-restricted endowment funds.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE M - ENDOWMENT FUNDS (CONTINUED)

The Organization's net assets with donor restrictions includes the portion of pledges receivable that were restricted by donors for endowment and donor gifts in perpetuity consisting of: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts; (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment; and, (d) the portion of investment earnings, if any, added to maintain its purchasing power. The Board of Directors has interpreted FUPMIFA as allowing the Organization to appropriate for expenditures or accumulate as much of a donor restricted endowment fund as the Organization determines is prudent considering the uses, benefits, purposes, and duration for which the donor restricted endowment fund is established, subject to the intent of the donor.

The changes in endowment assets for the years ended June 30, 2024 and 2023 are summarized as follows:

	June 30, 2024		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, July 1, 2023	\$ 3,615,898	\$ 20,133,890	\$ 23,749,788
Investment gain, net	4,201,344	-	4,201,344
Contributions	-	15,956	15,956
Appropriation of endowment assets pursuant to spending rate policy	<u>(1,292,747)</u>	<u>-</u>	<u>(1,292,747)</u>
Endowment net assets, June 30, 2024	<u>\$ 6,524,495</u>	<u>\$ 20,149,846</u>	<u>\$ 26,674,341</u>
	June 30, 2023		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, July 1, 2022	\$ 1,759,566	\$ 20,055,510	\$ 21,815,076
Investment gain, net	3,024,254	-	3,024,254
Contributions	-	78,268	78,268
Change in present value discount	-	112	112
Appropriation of endowment assets pursuant to spending rate policy	<u>(1,167,922)</u>	<u>-</u>	<u>(1,167,922)</u>
Endowment net assets, June 30, 2023	<u>\$ 3,615,898</u>	<u>\$ 20,133,890</u>	<u>\$ 23,749,788</u>

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE M - ENDOWMENT FUNDS (CONTINUED)

[1] Funds with deficiencies:

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor requires the Organization to maintain in perpetuity. These deficiencies generally result from unfavorable market declines in the Organization's endowment investments and are reported as part of net assets with donor restrictions. Pursuant to Board policy, transfers of investment income and expenditures from endowment funds with deficiencies are suspended until such deficiencies are eliminated. There were no donor restricted endowment funds with deficiencies as of June 30, 2024 and 2023.

[2] Investment objective and risk parameters:

The Organization has adopted investment policies for endowment assets that attempt to provide for growth of principal with moderate current income to fund programs supported by the endowment assets. Under the policy approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, while assuming a moderate level of investment risk. The Organization expects its endowment assets, over time, to provide an average rate of return of approximately eight percent annually. Actual returns in any given year may vary from this amount.

[3] Strategies for achieving investment objectives:

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current earnings (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity and alternative investments to achieve its long-term return objectives within prudent risk constraints.

[4] Spending policy:

The Organization's Board of Directors has established a policy authorizing the use of accumulated annual income and gains of up to five percent of principal from the donor restricted endowment assets and Board designated endowment funds to support current operations consistent with the donors' restrictions and Board policy for the Board designated endowment funds. Generally, over the long-term, the Organization expects the current spending to allow its endowment to grow at an average rate of five percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as provide additional real growth through new gifts and investment return.

NOTE N - COMMITMENTS AND CONTINGENCIES

[1] Retirement plan:

The Organization offers its employees a retirement plan under the provisions of Section 403(b) of the Internal Revenue Code. The plan is available to all employees and permits them to defer a portion of their salary until future years. The Organization may make discretionary contributions to the Plan, but is not required to do so. Such contributions vest at a rate of 20% per year. For the years ended June 30, 2024 and 2023, the Organization contributed \$326,864 and \$311,944, respectively, to the plan.

RAYMOND F. KRAVIS CENTER FOR THE PERFORMING ARTS, INC.

Notes to Financial Statements June 30, 2024 and 2023

NOTE N - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[2] Concentration of credit and market risks:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash accounts deposited in financial institutions in the amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Corporation limits, management believes that the Organization does not face a significant risk of loss on these accounts that would result from failures of the institutions.

The Organization invests in investment securities that are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the financial statements.

[3] Contingency:

The government awards received by the Organization are subject to audit and adjustment by the grantor agencies, principally the Federal government and the State of Florida. If expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement would be a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grants and applicable federal and state laws and regulations.

NOTE O - RELATED PARTY TRANSACTIONS

The Organization had a contractual relationship with a vendor for the provisioning of food and beverage services at the Organization, of which a member of the Organization's Board was on the executive management team of the vendor. The contract with this vendor terminated in August 2022. Total income from this contractual relationship totaled approximately \$1,000 during the year ended June 30, 2023. There was no income from this contractual relationship during the year ended June 30, 2024.

NOTE P - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 11, 2024, which is the date the financial statements were available to be issued.