

KLEINHANS MUSIC HALL MANAGEMENT, INC.  
AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

# KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Kleinhans Music Hall Management, Inc. and Subsidiary:

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Kleinhans Music Hall Management, Inc. and Subsidiary (the Corporation) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kleinhans Music Hall Management, Inc. and Subsidiary as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 audits.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 14, 2024

KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY  
Consolidated Statements of Financial Position  
June 30, 2024 and 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and equivalents	\$ 418,820	181,484
Accounts receivable:		
Grants and other receivables	2,188,651	2,773,934
Pledges receivable, current portion	<u>993,596</u>	<u>913,975</u>
Total accounts receivable	3,182,247	3,687,909
Inventory	8,926	10,468
Prepaid expenses	<u>23,643</u>	<u>32,635</u>
Total current assets	3,633,636	3,912,496
Pledges receivable, net of current portion and present value discount	1,165,051	2,189,471
Beneficial interest in assets held by Community Foundation for Greater Buffalo	110,549	100,000
Property and equipment, net	<u>314,262</u>	<u>133,273</u>
Total assets	<u>\$ 5,223,498</u>	<u>6,335,240</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	59,640	293,769
Accrued expenses and other liabilities	38,413	20,785
Deferred revenue	54,750	14,482
Current portion of capital lease obligations	660	2,376
Loan payable	<u>1,241,931</u>	<u>-</u>
Total current liabilities	<u>1,395,394</u>	<u>331,412</u>
Noncurrent liabilities:		
Capital lease obligations	-	660
Loan payable	<u>-</u>	<u>1,648,644</u>
Total noncurrent liabilities	<u>-</u>	<u>1,649,304</u>
Total liabilities	<u>1,395,394</u>	<u>1,980,716</u>
Net assets:		
Net assets without donor restrictions:		
Unrestricted	(122,231)	1,404,873
Board designated	<u>110,549</u>	<u>100,000</u>
	(11,682)	1,504,873
Net assets with donor restrictions	<u>3,839,786</u>	<u>2,849,651</u>
Total net assets	<u>3,828,104</u>	<u>4,354,524</u>
Total liabilities and net assets	<u>\$ 5,223,498</u>	<u>6,335,240</u>

See accompanying notes to consolidated financial statements.

KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY  
Consolidated Statements of Activities  
Years ended June 30, 2024 and 2023

Changes in net assets without donor restrictions:	<u>2024</u>	<u>2023</u>
Operating activities:		
Revenue and other support:		
Rental income	\$ 147,165	193,482
Performance revenue	566,184	175,507
Concession income	269,438	217,286
Licensee reimbursement	186,477	223,756
Parking fees	143,205	158,249
Ticket fees	142,538	114,478
Catering revenue	47,502	38,848
Investment income	14,870	-
Grants:		
City of Buffalo	50,000	50,000
Other awards	48,500	46,500
Contributions	72,217	82,277
Miscellaneous	17,509	10,475
Net assets released from donor restrictions	<u>597,648</u>	<u>870,764</u>
Total revenue and other support	<u>2,303,253</u>	<u>2,181,622</u>
Expenses:		
Program services	1,270,744	965,430
Management and general	<u>245,876</u>	<u>217,898</u>
Total expenses	<u>1,516,620</u>	<u>1,183,328</u>
Change in net assets without donor restrictions from operating activities	<u>786,633</u>	<u>998,294</u>
Nonoperating activities:		
Renovation related revenue	1,368,426	2,581,749
Renovation related expenses	<u>(3,671,614)</u>	<u>(3,452,513)</u>
Total nonoperating activities	<u>(2,303,188)</u>	<u>(870,764)</u>
Change in net assets without donor restrictions	<u>(1,516,555)</u>	<u>127,530</u>
Change in net assets with donor restrictions:		
Restricted contributions	1,587,783	2,767,920
Net assets released from donor restrictions	<u>(597,648)</u>	<u>(870,764)</u>
Change in net assets with donor restrictions	<u>990,135</u>	<u>1,897,156</u>
Change in net assets	(526,420)	2,024,686
Net assets at beginning of year	<u>4,354,524</u>	<u>2,329,838</u>
Net assets at end of year	<u>\$ 3,828,104</u>	<u>4,354,524</u>

See accompanying notes to consolidated financial statements.

KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY  
Consolidated Statements of Functional Expenses  
Years ended June 30, 2024 and 2023

	2024			2023		
	<u>Program</u>	<u>Management</u>		<u>Program</u>	<u>Management</u>	
	<u>services</u>	<u>and general</u>	<u>Total</u>	<u>services</u>	<u>and general</u>	<u>Total</u>
Wages	\$ 425,389	54,878	480,267	381,209	46,958	428,167
Contract services	201,184	14,000	215,184	204,515	9,750	214,265
Building repairs and maintenance	-	1,075	1,075	-	5,168	5,168
Insurance	-	46,004	46,004	-	15,816	15,816
Concessions expenses	108,485	22,479	130,964	84,167	14,412	98,579
Employee benefits	19,590	6,853	26,443	21,104	11,805	32,909
Depreciation	27,451	2,576	30,027	39,134	1,490	40,624
Supplies	-	38,847	38,847	-	36,664	36,664
Payroll taxes	24,956	6,934	31,890	26,011	3,930	29,941
Repairs and maintenance	-	26,884	26,884	-	23,560	23,560
Artist fees	281,726	-	281,726	95,073	-	95,073
Service charges and fees	6,504	13,212	19,716	5,442	15,569	21,011
Equipment	29,843	3,133	32,976	7,028	2,876	9,904
Marketing and promotion	66,668	-	66,668	69,669	-	69,669
Interest	-	2,429	2,429	-	2,564	2,564
Miscellaneous expenses	78,948	6,572	85,520	32,078	27,336	59,414
Total expenses	<u>\$ 1,270,744</u>	<u>245,876</u>	<u>1,516,620</u>	<u>965,430</u>	<u>217,898</u>	<u>1,183,328</u>

See accompanying notes to consolidated financial statements.

KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (526,420)	2,024,686
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	30,027	40,624
Change in present value discount	(275,898)	390,966
Restricted contributions	(1,587,783)	(3,158,886)
Renovation related revenue	(1,368,426)	(2,581,749)
Changes in:		
Grants and other receivables	115,115	201,989
Inventory	1,542	1,645
Prepaid expenses	8,992	193,300
Accounts payable	(234,129)	188,724
Accrued expenses and other liabilities	17,628	(4,260)
Deferred revenue	<u>40,268</u>	<u>(29,949)</u>
Net cash used in operating activities	<u>(3,779,084)</u>	<u>(2,732,910)</u>
Cash flows from investing activities:		
Investment of assets held by Community Foundation for Greater Buffalo	(10,549)	(100,000)
Purchases of property and equipment	<u>(211,016)</u>	<u>(24,285)</u>
Net cash used in investing activities	<u>(221,565)</u>	<u>(124,285)</u>
Cash flows from financing activities:		
Renovation related receipts	1,838,594	-
Restricted contributions	2,808,480	604,619
Net proceeds (payments) on loan payable	(406,713)	1,648,644
Repayments of capital lease obligations	<u>(2,376)</u>	<u>(2,376)</u>
Net cash provided by financing activities	<u>4,237,985</u>	<u>2,250,887</u>
Net change in cash and equivalents	237,336	(606,308)
Cash and equivalents at beginning of year	<u>181,484</u>	<u>787,792</u>
Cash and equivalents at end of year	<u>\$ 418,820</u>	<u>181,484</u>

See accompanying notes to consolidated financial statements.



# KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### (1) Nature of Organization

Kleinhans Music Hall Management, Inc. and Subsidiary (the Corporation) is a not-for-profit corporation whose objective is to maintain and operate Kleinhans Music Hall for the City of Buffalo, its owner, pursuant to an agreement. Any renovations or improvements made to Kleinhans Music Hall become assets of the City of Buffalo. Kleinhans Music Hall is the primary venue for the Buffalo Philharmonic Orchestra Society, Inc. (BPO).

Kleinhans Concessions, Inc. is a wholly-owned taxable subsidiary of the Corporation. Its objective is to sell food and beverages during events at Kleinhans Music Hall.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### (b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Kleinhans Concessions, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### (c) Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### (d) Cash and Equivalents

For purposes of the consolidated statements of cash flows, the Corporation considers all highly liquid debt instruments purchased within an original maturity of three months or less to be cash and equivalents.

#### (e) Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentration of credit risk consist principally of cash accounts in financial institutions. The Corporation maintains financial instruments at financial institutions which periodically may exceed federally insured limits. At June 30, 2024, the Corporation had \$181,896 in excess of the federally insured limits. At June 30, 2023, all amounts were covered by the federally insured limits.

## KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements, Continued

#### (2) Summary of Significant Accounting Policies, Continued

##### (f) Receivables and Bad Debts

The Corporation's accounts receivable are primarily derived from rental income, performance revenue, concession income, license reimbursement, parking fees, ticket fees and catering revenue. At each statement of financial position date, the Corporation recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of the Corporation's historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management's assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors. As a result, management has determined that an allowance for doubtful accounts is not deemed necessary at June 30, 2024 and 2023.

The Corporation writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in revenue. There were no write-offs for the years ended June 30, 2024 and 2023.

##### (g) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Corporation. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

##### (h) Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements and Disclosures, Continued

- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in inactive markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the assets or liabilities; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

(i) Inventory

Inventory of food and beverages is stated at the lower of first-in, first-out cost or market.

(j) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities. Estimated useful lives are as follows:

Furniture and fixtures	7 years
Equipment	5 years

# KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements, Continued

### (2) Summary of Significant Accounting Policies, Continued

#### (k) Revenue Recognition

##### (i) Contracts with Customers

Under Accounting Standards Update (ASU) No. 2014-09 (Topic 606) - Revenue from Contracts with Customers, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for these good or services. The Corporation utilizes a five-step framework as identified in ASU No. 2014-09. The primary sources of revenue from contracts with customers for the Corporation are as follows:

Rental income, performance revenue, concession income, license reimbursement, parking fees, ticket fees and catering revenue are all revenue sources based on the occurrence of specific events held at Kleinhans Music Hall. Revenue is recognized when the events are held and is billed after the event occurs. Revenue from these sources is typically non-refundable and payments received in advance are deferred until earned.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivables:			
Rental income	\$ 46,415	55,535	30,522
Ticket fees	500	500	500
Catering revenue	<u>30,154</u>	<u>14,810</u>	<u>8,272</u>
	\$ <u>77,069</u>	<u>70,845</u>	<u>39,294</u>
Deferred revenue:			
Rental income	\$ 54,250	13,982	17,931
Ticket fees	<u>500</u>	<u>500</u>	<u>500</u>
	\$ <u>54,750</u>	<u>14,482</u>	<u>18,431</u>

##### (ii) Contributions and Grants

Under ASU No. 2018-08 - Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made, grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with grant restrictions. Amounts unspent are recorded in the consolidated statements of financial position as deferred revenue. Certain grant revenue relates to an agreement with the City of Buffalo for the Corporation to operate the facilities of the music hall. Grant revenue is recognized in the year received.

##### (l) Functional Allocation of Expenses

The costs of providing the Corporation's various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on direct allocation to program services and administrative related items are allocated to management and general.

## KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements, Continued

#### (2) Summary of Significant Accounting Policies, Continued

##### (m) Nonoperating Activities

The Corporation includes in nonoperating activities, grants and other revenue that is restricted for the construction or purchase of long-term assets and the related expenditures.

##### (n) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the consolidated financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under 509(a) of the Code. The Corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Corporation has taken no uncertain tax positions that require adjustment in its consolidated financial statements. U.S. Forms 990 filed by the Corporation is subject to examination by taxing authorities. Kleinhans Concessions, Inc. is taxed as a c-corporation. Taxes are usually minimal and are classified within general and administrative expenses.

##### (o) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the consolidated financial statements were available to be issued.

##### (p) New Accounting Policies

At the beginning of fiscal 2024, the Corporation adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Statements, as amended, which modifies the measurement of expected credit losses on certain financial instruments, including accounts receivable, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportive forecasts for collectability. The Corporation adopted this new standard utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Corporation's financial statements.

#### (3) Liquidity

The Corporation has \$2,616,397 of financial assets available within one year of the consolidated statement of financial position date consisting of \$418,820 of cash and equivalents, \$2,188,651 of grants and other receivables and \$8,926 of inventory. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

# KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements, Continued

### (4) Accounts Receivable

Accounts receivable consist of the follow as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Pledges receivable	\$ 2,158,647	3,103,446
Grants and other receivable	<u>2,188,651</u>	<u>2,773,934</u>
	<u>\$ 4,347,298</u>	<u>5,877,380</u>

Pledges receivable are composed of the follow as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 993,596	913,975
More than one year	<u>1,327,974</u>	<u>2,628,292</u>
	2,321,570	3,542,267
Less unamortized discount	<u>(162,923)</u>	<u>(438,821)</u>
Pledges receivable	<u>\$ 2,158,647</u>	<u>3,103,446</u>

Amounts due are reflected at the present value of estimated future cash flows using a discount rate consistent with the United States Prime Lending Rate of 8.50% and 8.25% that was in effect as of June 30, 2024 and 2023, respectively.

Pledges receivable are reflected in the accompanying consolidated statements of financial position at June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Current	\$ 993,596	913,975
Long-term	<u>1,165,051</u>	<u>2,189,471</u>
	<u>\$ 2,158,647</u>	<u>3,103,446</u>

### (5) Beneficial Interest in Assets Held by Community Foundation for Greater Buffalo

The Corporation has board designated assets with the Community Foundation for Greater Buffalo (CFGB). Under the terms of the agreement, CFGB will distribute from the fund, in the aggregate, an amount consistent with CFGB's current spending policy and with the current IRS regulations.

# KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements, Continued

### (5) Beneficial Interest in Assets Held by Community Foundation for Greater Buffalo, Continued

The Corporation can withdraw all, or a portion of the original amount transferred, and appreciation on those assets, provided that a majority of the governing board of the Corporation and the CFGB approve of the withdrawal. The CFGB has variance power over the fund, which gives the CFGB the right to distribute the investment income to another not-for-profit entity of its choice, if the governing board of the CFGB votes that support of the Corporation is no longer necessary, or is inconsistent with the needs of the Greater Buffalo Community. The fund had a value of \$110,549 and \$100,000 at June 30, 2024 and 2023, respectively, and is recorded at fair value, which approximates net asset value of the underlying investments as reported by CFGB, based on significant unobservable inputs (Level 3). The following presents information about fair value measurements that use significant unobservable inputs:

Balance at June 30, 2022	\$ -
Contributions	<u>100,000</u>
Balance at June 30, 2023	100,000
Investment income	<u>10,549</u>
Balance at June 30, 2024	\$ <u>110,549</u>

### (6) Property and Equipment

Property and equipment consisted of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 96,613	94,873
Equipment	<u>498,603</u>	<u>289,327</u>
	595,216	384,200
Less accumulated depreciation	<u>(280,954)</u>	<u>(250,927)</u>
	\$ <u>314,262</u>	<u>133,273</u>

Depreciation expense amounted to \$30,027 and \$40,624 for the years ended June 30, 2024 and 2023, respectively.

The Corporation began a multi-year Capital Campaign (the Campaign) for renovations and improvements to the Kleinhans Music Hall. The Campaign plans for renovations of up to \$18 million. The Campaign will be paid for through gifts from private individuals, foundations and corporate sponsors. As of June 30, 2024 and 2023, the Corporation has secured \$11,479,211 and \$3,522,261, respectively, in funding for the Campaign. For the years ended June 30, 2024 and 2023, the Corporation has incurred \$3,671,614 and \$3,452,513, respectively, of renovations which are included in nonoperating activities - renovation related expense in the consolidated statements of activities.

## KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements, Continued

#### (7) Loan Payable

On March 22, 2023, the Corporation obtained a loan payable in order to fund projects related to its capital campaign. The loan is to provide for borrowings up to \$3,300,000 and matures in September of 2024. Interest is payable for the first 17 months at the bank's prime lending rate (8.50% at June 30, 2024 and 8.25% at June 30, 2023), with the full outstanding principal due in the 18<sup>th</sup> month (September 22, 2024). At June 30, 2024 and 2023, the Corporation has \$1,241,931 and \$1,648,644, respectively, outstanding on the loan payable.

#### (8) Net Assets With Donor Restrictions

Net assets with donor restrictions are funds received for the purposes of the Corporation's capital campaign. Net assets with donor restrictions amounted to \$3,839,786 and \$2,849,651 as of June 30, 2024 and 2023, respectively.

#### (9) Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purpose or by the occurrence of the passage of time. Net assets released from donor restrictions amounted to \$597,648 and \$870,764 for the years ended June 30, 2024 and 2023, respectively.

#### (10) Related Party Transactions

Kleinhans Music Hall is a concert hall used by the BPO and other organizations for concerts and other large group events. Pursuant to an agreement, the BPO has certain exclusive use rights. The BPO and other organizations rent the facility on an event-by-event basis. Based on the agreement, activity and balances with the BPO are as follows as of and for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ <u>-</u>	<u>116,340</u>
Ticket fee income	\$ <u>101,470</u>	<u>85,780</u>



KLEINHANS MUSIC HALL MANAGEMENT, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(11) Catering Agreement

The Corporation entered into an agreement with a local restaurant (the Caterer) for the exclusive right, subject to certain provisions, to provide food and beverage service at Kleinhans Music Hall through June 30, 2026. Pursuant to this agreement, Kleinhans receives a percentage of gross sales by the Caterer, which requires a minimum payment of \$42,500 per fiscal year. Revenue from catering under the terms of the agreement amounted to \$47,502 and \$38,848 for the years ended June 30, 2024 and 2023, respectively. Future minimum payments required under this agreement are as follows:

2025	\$ 42,500
2026	<u>45,000</u>
	\$ <u>87,500</u>