

**The Wharton Institute for the Performing Arts, Inc.
and Subsidiaries**

Consolidated Financial Statements

June 30, 2025 and 2024

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Consolidated Financial Statements

June 30, 2025

| TABLE OF CONTENTS | Page |
|---|-------------|
| Independent Auditors' Report | |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Activities | 5 |
| Consolidated Statement of Functional Expenses | 6 |
| Consolidated Statement of Cash Flows | 7 |
| Notes to Consolidated Financial Statements | 8-20 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of State Financial Assistance and Notes to Schedule of Expenditures of State Financial Assistance | 21 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | |
| Schedule of Findings and Questioned Costs | 24 |

Independent Auditors' Report

Board of Trustees

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries (the "Institute") which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Institute as of June 30, 2025, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the New Jersey Youth Symphony, Inc. and the New Jersey Youth Chorus, Inc. were not audited in accordance with *Government Auditing Standards*.

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 Institute'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 and *Government 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 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 and *Government Auditing Standards*, we:

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

Report on Summarized Comparative Information

We have previously audited the Institutes' 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 21, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by New Jersey State Council on the Arts, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2025, on our consideration of The Wharton Institute for the Performing Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Wharton Institute for the Performing Arts, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Wharton Institute for the Performing Arts, Inc.'s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

November 20, 2025

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Consolidated Statement of Financial Position
June 30, 2025
(with comparative amounts at June 30, 2024)

| | <u>2025</u> | <u>2024</u> |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Cash, cash equivalents and restricted cash | \$ 776,443 | \$ 413,032 |
| Grants receivable, net | 31,490 | 723,616 |
| Pledges receivable, net | 781,531 | 792,153 |
| Contributions receivable | - | 100,000 |
| Accounts receivable | 44,447 | 41,524 |
| Prepaid expenses and other assets | 29,685 | 37,628 |
| Investments | 11,963 | 10,726 |
| Property and equipment, net | 90,772 | 108,575 |
| Right of use asset - operating leases, net | 1,040,254 | 1,097,529 |
| Security deposits | <u>67,130</u> | <u>67,130</u> |
| Total Assets | <u>\$ 2,873,715</u> | <u>\$ 3,391,913</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | 169,848 | \$ 183,460 |
| Deferred revenue | 529,470 | 474,629 |
| Security deposits payable | 1,600 | 1,600 |
| Lease liabilities | 1,117,711 | 1,138,775 |
| Line of credit | 99,976 | 99,976 |
| Long-term debt | <u>588,502</u> | <u>636,520</u> |
| Total Liabilities | <u>2,507,107</u> | <u>2,534,960</u> |
| Net Assets (Deficiency) | | |
| Without donor restrictions | (493,614) | (145,828) |
| With donor restrictions | <u>860,222</u> | <u>1,002,781</u> |
| Total Net Assets | <u>366,608</u> | <u>856,953</u> |
| | <u>\$ 2,873,715</u> | <u>\$ 3,391,913</u> |

See notes to consolidated financial statements

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2025 (with summarized totals for year ended June 30, 2024)

| | 2025 | | | 2024 Total |
|---|----------------------------------|-------------------------------|-------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| REVENUE AND SUPPORT | | | | |
| Tuition and fees | \$ 2,209,521 | \$ - | \$ 2,209,521 | \$ 2,541,438 |
| Contributions | 168,939 | 437,333 | 606,272 | 1,323,990 |
| In-kind contributions | 23,068 | - | 23,068 | 38,465 |
| Foundation grants | 53,920 | 81,100 | 135,020 | 374,656 |
| Government grants | 126,060 | - | 126,060 | 92,200 |
| Special events, net of direct costs of \$61,951 and \$26,064 | 248,813 | 175,176 | 423,989 | 271,501 |
| Program service fees | 410,292 | - | 410,292 | 738,059 |
| Performances | 55,313 | - | 55,313 | 54,779 |
| Rental income | 8,748 | - | 8,748 | 6,328 |
| Sales of merchandise and other income | 5,390 | - | 5,390 | 3,573 |
| Investment return | 1,381 | - | 1,381 | 2,128 |
| Net assets released from restrictions | 836,168 | (836,168) | - | - |
| Total Revenue and Support | <u>4,147,613</u> | <u>(142,559)</u> | <u>4,005,054</u> | <u>5,447,117</u> |
| OPERATING EXPENSES | | | | |
| Program Services | | | | |
| Music education | 3,461,821 | - | 3,461,821 | 3,853,954 |
| Supporting Services | | | | |
| General and administrative | 883,976 | - | 883,976 | 881,671 |
| Fundraising | 312,210 | - | 312,210 | 241,093 |
| Total Supporting Services | <u>1,196,186</u> | <u>-</u> | <u>1,196,186</u> | <u>1,122,764</u> |
| Total Operating Expenses Before Depreciation and Amortization | <u>4,658,007</u> | <u>-</u> | <u>4,658,007</u> | <u>4,976,718</u> |
| Change in Net Assets | | | | |
| Before Depreciation and Amortization | (510,394) | (142,559) | (652,953) | 470,399 |
| Depreciation and amortization | 34,808 | - | 34,808 | 39,146 |
| (Deficiency) Excess of Revenue and Support Over Operating Expenses | (545,202) | (142,559) | (687,761) | 431,253 |
| NON-OPERATING ACTIVITIES | | | | |
| CARES Act Revenue, net | 197,416 | - | 197,416 | 706,816 |
| Change in Net Assets | (347,786) | (142,559) | (490,345) | 1,138,069 |
| NET ASSETS (DEFICIENCY) | | | | |
| Beginning of year | <u>(145,828)</u> | <u>1,002,781</u> | <u>856,953</u> | <u>(281,116)</u> |
| End of year | <u>\$ (493,614)</u> | <u>\$ 860,222</u> | <u>\$ 366,608</u> | <u>\$ 856,953</u> |

See notes to consolidated financial statements

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended June 30, 2025
(with summarized totals for the year ended June 30, 2024)

| | 2025 | | | | | | Total 2024 |
|---|---------------------|---------------------|-------------------------------|---------------------|---|---------------------|---------------------|
| | Program Services | Supporting Services | | | Cost of Direct Benefits To Donors | Total | |
| | | Music Education | General and Administrative | Fundraising | | | |
| Salaries and wages | \$ 2,264,089 | \$ 339,716 | \$ 186,861 | \$ 526,577 | \$ - | \$ 2,790,666 | \$ 2,578,183 |
| Payroll taxes | 183,071 | 37,054 | 14,953 | 52,007 | - | 235,078 | 222,240 |
| Employee benefits | 38,040 | 27,120 | 24,457 | 51,577 | - | 89,617 | 80,592 |
| Total Salaries and Related Expenses | 2,485,200 | 403,890 | 226,271 | 630,161 | - | 3,115,361 | 2,881,015 |
| Professional fees | - | 89,930 | 30,282 | 120,212 | - | 120,212 | 287,594 |
| Advertising | 39,253 | 14,119 | 3,507 | 17,626 | 4,540 | 61,419 | 72,057 |
| Insurance | - | 88,123 | - | 88,123 | - | 88,123 | 80,709 |
| Performance travel and other expenses | 190,717 | 17,900 | 12,583 | 30,483 | 1,832 | 223,032 | 665,813 |
| Dues and subscriptions | 3,766 | 5,839 | 1,231 | 7,070 | - | 10,836 | 17,645 |
| Program supplies, materials and office expense | 82,959 | 12,215 | 15,927 | 28,142 | 55,579 | 166,680 | 134,386 |
| Postage and printing | 7,728 | 12,324 | 11,538 | 23,862 | - | 31,590 | 29,283 |
| Bank charges and processing fees | 53,623 | 1,624 | 114 | 1,738 | - | 55,361 | 58,437 |
| Interest | - | 29,997 | - | 29,997 | - | 29,997 | 28,325 |
| Occupancy | 433,567 | 68,685 | - | 68,685 | - | 502,252 | 465,071 |
| Repairs and maintenance | 65,312 | 5,234 | - | 5,234 | - | 70,546 | 73,320 |
| Equipment lease and rental | 19,204 | 7,508 | - | 7,508 | - | 26,712 | 20,011 |
| Technology - computer expense | 36 | 77,074 | - | 77,074 | - | 77,110 | 69,920 |
| Licenses and fees | 4,323 | 15,584 | 9,033 | 24,617 | - | 28,940 | 36,038 |
| Cost of sales | 15,132 | 600 | - | 600 | - | 15,732 | 21,748 |
| Outside contractors | 45,319 | 458 | 224 | 682 | - | 46,001 | 30,384 |
| Telephone | 7,082 | 12,916 | - | 12,916 | - | 19,998 | 18,512 |
| Conferences and workshops | 8,600 | - | 1,500 | 1,500 | - | 10,100 | 10,277 |
| Bad debt | - | 19,956 | - | 19,956 | - | 19,956 | 2,237 |
| Total Expenses Before Depreciation and Amortization and Costs of Direct Benefits to Donors | 3,461,821 | 883,976 | 312,210 | 1,196,186 | 61,951 | 4,719,958 | 5,002,782 |
| Less: Costs of Direct Benefits to Donors | - | - | - | - | (61,951) | (61,951) | (26,064) |
| Total Expenses Before Depreciation and Amortization | 3,461,821 | 883,976 | 312,210 | 1,196,186 | - | 4,658,007 | 4,976,718 |
| Depreciation and amortization | 17,404 | 17,404 | - | 17,404 | - | 34,808 | 39,146 |
| Total Expenses | <u>\$ 3,479,225</u> | <u>\$ 901,380</u> | <u>\$ 312,210</u> | <u>\$ 1,213,590</u> | <u>\$ -</u> | <u>\$ 4,692,815</u> | <u>\$ 5,015,864</u> |

See notes to consolidated financial statements

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Year Ended June 30, 2025

(with comparative amounts for the year ended June 30, 2024)

| | 2025 | 2024 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (490,345) | \$ 1,138,069 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 34,808 | 39,146 |
| Amortization of right of use asset | 353,533 | 316,886 |
| Net realized and unrealized gain on investments | (1,013) | (1,649) |
| Bad debt expense | 19,956 | 2,237 |
| Discount on pledges and contributions receivable | (25,378) | 46,675 |
| Change in operating assets and liabilities | | |
| Grant receivable | 692,126 | (702,816) |
| Pledges receivable | 16,044 | (785,382) |
| Contributions receivable | 100,000 | (97,000) |
| Accounts receivable | (2,923) | (30,065) |
| Prepaid expenses and other assets | 7,943 | 423,257 |
| Accounts payable and accrued expenses | (13,612) | 39,596 |
| Deferred revenue | 54,841 | (352,012) |
| Lease liabilities | (317,322) | (304,653) |
| Net Cash from Operating Activities | 428,658 | (267,711) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (224) | (205) |
| Purchase of property and equipment | (17,005) | - |
| Net Cash from Investing Activities | (17,229) | (205) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal repayments of long-term debt | (48,018) | (31,926) |
| Change in Cash, Cash Equivalents and Restricted Cash | 363,411 | (299,842) |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | |
| Beginning of year | 413,032 | 712,874 |
| End of year | \$ 776,443 | \$ 413,032 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | \$ 29,997 | \$ 28,325 |

See notes to consolidated financial statements

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

The Wharton Institute for the Performing Arts, Inc. (“Wharton”) was founded on May 3, 1985 to provide music instruction, educational programs and performances to people of all ages, abilities, and backgrounds, so as to inspire them to achieve musical excellence and to use their inherent creativity to its greatest potential. Wharton was formerly known as The Judith G. Wharton Music Center, Inc. until it changed its name effective September 28, 2015. Included as a major program of Wharton is the Paterson Music Project (“PMP”) which is an El Sistema inspired program established by Wharton in January 2013. El Sistema programs include tuition-free or low tuition classes with high frequency, a multi-year continuum, as well as other holistic services provided.

New Jersey Youth Symphony, LLC (“NJYS”) was organized on February 16, 2012 as a wholly-owned subsidiary of Wharton. On July 10, 2012, it completed the acquisition of the assets of the New Jersey Youth Symphony, Inc. (the “Symphony”) pursuant to a combination agreement between Wharton, NJYS and the Symphony.

NJYC Acquisition, LLC (“NJYC”) was organized on February 28, 2022 as a wholly-owned subsidiary of Wharton. On June 29, 2022, it completed the acquisition of the assets of the New Jersey Youth Chorus, Inc. (the “Chorus”) pursuant to a combination agreement between Wharton, NJYC and the Chorus.

Wharton and its subsidiaries NJYS and NJYC (together, the “Institute”), are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of New Jersey State law. Accordingly, no income tax expense or liability is recorded in the consolidated financial statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Wharton, NJYS, and NJYC. All intercompany balances and transactions have been eliminated.

Basis of Accounting and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (*continued*)

Revenue and Revenue Recognition

As shown on the accompanying consolidated statement of activities, the Institute has two primary revenue sources which are tuition and fees and program service fees, and to a lesser degree, ticket sales from performances and special events, merchandise sales, and investment income. Contributions, grants, and investment returns do not have commercial substance and are therefore scoped out of *Revenue from Contracts with Customers* (Topic 606). Consequently, the Institute will continue to follow the guidance in Accounting Standards Codification 958-605, where applicable (including most government grants which are deemed to be contributions under Accounting Standards Update (“ASU”) 2018-08 guidance).

The Institute has concluded that each of its contracts with customers (oral or written) include a single performance obligation that is satisfied either 1) at a point in time which include: merchandise sales (which occur at the point of sale); or ticket sales from performances (which occurs on the event date) or 2) over time which include: tuition and fees, program service fees and rental income which are all satisfied over time. Tuition from individual students is recognized monthly as earned based on the timing and duration of classes. Contracts with schools for music programs led by the Institute are entered into based on the timing of classes and service rate for each school. Schools are required to make payments on a quarterly basis and the Institute recognizes revenue over time for the duration of the contract. Tuition and program service revenue typically align with the local schools’ academic calendars; accordingly, these performance obligations are satisfied by the Institute’s year end (June 30). However, the Institute does require advance payment of tuition deposits for the summer and following school year classes, which amount is included in deferred revenue in the consolidated statement of financial position. When revenue is earned over a period of time that may span beyond the Institute’s year end (i.e. summer tuition and fees, and ticket sales), any advance payments are also included in deferred revenue and revenue is recognized in the applicable period in which it is earned or the event takes place.

Under US GAAP, the Institute may only recognize revenue for the amount expected to be collected. Based on the Institute’s strong collection experience, the Institute has concluded that all revenue recognized is probable of collection. As permitted by the guidance, the Institute has applied a portfolio approach to evaluating the ability to pay of both its students, and the schools included in its contract service programs, rather than evaluating each student’s and school’s ability to pay separately.

In accordance with ASU 2018-08, the Institute recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Revenue Recognition (continued)

The Institute receives conditional and unconditional promises to give from the NJ State Council on the Arts, and the Union County Heart Grant each year. These and other federal, state and county contracts and grants may be conditioned upon certain performance requirements. The Institute may also receive conditional promises to give from foundations or other private donors. All conditional promises to give are recognized as revenue when the Institute has incurred expenditures and/or achieved other measurable performance or other barriers in compliance with specific contract or grant provisions.

Net Asset Presentation

The Institute reports information regarding financial position and activities in two classes of net assets: without and with donor restrictions.

Without donor restrictions – consist of resources available for the general support of the Institute’s operations. Net assets without donor restrictions may be used at the discretion of the Institute’s management and Board of Trustees. The Board has designated a portion of the Institute’s net assets for endowment purposes.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Institute to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash deposited with banks and short term highly liquid investments with maturities of three months or less at the time of purchase.

Included in cash and cash equivalents at June 30 is restricted cash for the following purposes:

| | <u>2025</u> | <u>2024</u> |
|------------------|-------------|-------------------|
| Donor restricted | \$ - | \$ 60,000 |
| Board designated | - | 66,388 |
| | <u>\$ -</u> | <u>\$ 126,388</u> |

The 2024 restricted cash amount above was pending a transfer into an investment account and the establishment of policies required under Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which occurred during 2025.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

The Institute follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income Recognition

Investments are carried at fair value. Purchases and sales of securities are recorded on a settlement-date basis. Interest and dividend income is recorded when earned. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Grant, Pledge, and Contribution Receivables

Grant, pledge, and contribution receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to grant, pledge, or contribution receivables.

At June 30, 2025 and 2024, the allowance for doubtful pledges amounted to \$6,000 and \$12,833. At June 30, 2025 and 2024 the allowance for doubtful grants receivable amounted to \$205,519 which is related to the Employee Retention Credit receivable (see Note 12). Contributions receivables are considered fully collectible.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are comprised primarily of fees from tuition and program services and are non-interest bearing. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts, in addition to a general allowance based on a percentage of overall accounts receivable.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Uncollectible amounts are determined on a case by case basis. At June 30, 2025 and 2024, accounts receivable were considered fully collectible.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Purchases of property and equipment with a unit value of less than \$1,500 are expensed. Leasehold improvements are amortized over the life of the lease using the straight line method. Property and equipment are written down to fair value when considered impaired. No impairment change has been recognized for the years ended June 30, 2025 and 2024.

Contract Assets and Liabilities

Contract assets represent payments due from performance obligations completed, but that are not yet billable. Contract liabilities represent payments received or receivables billed for performance obligations not yet completed. The beginning and ending contract assets and liabilities we as follows:

| | June 30, | | |
|--------------------|-----------|---------|---------|
| | 2025 | 2024 | 2023 |
| Tuition receivable | \$ 20,602 | \$ - | \$ - |
| Deferred tuition | 529,470 | 474,629 | 396,459 |
| Deferred tour fees | - | - | 430,182 |

Deferred Revenue

Deferred revenue consists of amounts received for program events which will be recognized as income in future periods when the services are performed or the event occurs. The Institute's tuition and tour fees received in the current fiscal year for the next semester are deferred until the instruction commences, since the Institute recognizes tuition revenue in the period in which the related instruction is performed.

In-Kind Contributions and Donated Services

It is the Institute's policy to record non-cash items and in-kind gifts at their fair value on the date they are received. The Board of Trustees makes significant contributions of time relative to general management and operations of the Institute. The value of this contributed time is not reflected in these consolidated financial statements since it does not meet criteria for recognition under US GAAP. The Institute recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements. Revenue amounts are reflected in in-kind contributions on the consolidated statement of activities. Expense amounts for donated video production services are reflected in performance travel and other expenses, advertising services are reflected in advertising and pro bono legal services are reflected in professional fees on the consolidated statement of functional expenses.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

In-Kind Contributions and Donated Services (continued)

For the years ended June 30, the Institute received the following in-kind contributions and donated services:

| | 2025 | 2024 | Usage in Program/Activities | Donor Restrictions | Fair Value Techniques |
|------------------|------------------|------------------|--------------------------------|-----------------------|--|
| Legal services | \$ 23,068 | \$ 27,152 | General operations | None | Estimated based on current rates of legal services provided by law firm |
| Video production | - | 10,313 | Gala | None | Estimated based on time and expenses incurred to produce video |
| Advertising | - | 1,000 | Gala | None | Estimated based on cost incurred to air advertisement |
| | <u>\$ 23,068</u> | <u>\$ 38,465</u> | | | |

Leases

The Institute determines if an arrangement is or contains a lease at inception. The Institute leases buildings and office equipment which comprise the ROU assets and lease liabilities on the consolidated statement of financial position. The ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease terms. The leases do not provide an implicit borrowing rate. The Institute uses risk-free rates based on the information available at the commencement date in determining the present value of lease payments. Operating lease expenses are recognized on a straight-line basis over the lease terms. The Institute does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease terms. The Institute's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Advertising Costs

The Institute uses advertising to promote its programs among the audiences it services. Advertising expense for the years ended June 30, 2025 and 2024 was \$61,419 and \$72,057.

Functional Allocation of Expenses

Expenses are charged to each program or supporting services if it is directly related to the program or supporting service. Any expenditures not directly chargeable such as salaries and wages, occupancy and taxes, and depreciation are allocated among program and supporting services on the basis of percentage of time spent by staff on a particular program or task, square footage, and other criteria as determined by the management of the Institute. Program expenses are those related to the provision of musical education programs. General and administrative expenses relate to the overall administration of the Institute. Fundraising expenses include the allocation of employees' salaries and other costs involved in fundraising and special events based on methods as described above.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Prior Year Summarized Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements as of and for the year ended June 30, 2024, from which the summarized comparative information was derived.

Accounting for Uncertainty in Income Taxes

The Institute recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Institute had no uncertain tax positions that would require financial statement recognition or disclosure. The Institute is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2022.

Measure of Operations

Operations include all revenues and expenses that are integral part of the Institute's programs and supporting activities. The measure of operations excludes revenue recognized for the CARES Act Revenue during the year ended of June 30, 2024.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is November 20, 2025.

3. Pledges Receivable

Pledges receivable at June 30 are as follows:

| | <u>2025</u> | <u>2024</u> |
|--------------------------------|-------------------|-------------------|
| Less than one year | \$ 361,000 | \$ 244,500 |
| One to five years | 450,000 | 609,333 |
| Discount for present value | (23,469) | (48,847) |
| Allowance for doubtful pledges | <u>(6,000)</u> | <u>(12,833)</u> |
| | <u>\$ 781,531</u> | <u>\$ 792,153</u> |

Pledges receivable with due dates extending beyond one year were discounted using a federal discount rate of 3.79% and 4.33% as of June 30, 2025 and 2024. Uncollectible promises are based on the credit worthiness of the donor.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2025 and 2024

4. Investments

Investments are stated at fair value, based on quoted market prices, and are comprised of the following as of June 30:

| | 2025 | | | 2024 | | |
|----------------------|-----------------|-------------------------|----------------------------|-----------------|-------------------------|----------------------------|
| | Cost | Fair Value (Level 1) | Unrealized Appreciation | Cost | Fair Value (Level 1) | Unrealized Appreciation |
| Mutual Funds - other | <u>\$ 8,072</u> | <u>\$ 11,963</u> | <u>\$ 3,891</u> | <u>\$ 8,053</u> | <u>\$ 10,726</u> | <u>\$ 2,673</u> |

5. Property and Equipment

Property and equipment at June 30 consists of the following:

| | Estimated Useful Lives | 2025 | 2024 |
|-------------------------------|---------------------------|------------------|-------------------|
| Leasehold improvements | 3-11 years | \$ 1,152,481 | \$ 1,141,476 |
| Instruments | 10 years | 289,353 | 283,353 |
| Computer and equipment | 5 years | 27,456 | 27,456 |
| Office equipment | 5 years | 165,254 | 165,254 |
| Furniture and fixtures | 7 years | <u>160,749</u> | <u>160,749</u> |
| Total Property and Equipment | | 1,795,293 | 1,778,288 |
| Less accumulated depreciation | | <u>1,704,521</u> | <u>1,669,713</u> |
| Total | | <u>\$ 90,772</u> | <u>\$ 108,575</u> |

6. Long-term Debt

Loan Payable

On December 11, 2020, the Institute entered into a \$250,000 term loan with a bank which carries a fixed 3.875% rate of interest, and requires monthly payments of \$3,409, with a final balloon payment of \$81,974 due January 1, 2026. The loan is secured by a commercial security interest on all assets of the Institute. As of June 30, 2025 and 2024, the Institute has an outstanding balance of \$100,478 and \$136,520.

Line of Credit

Effective October 18, 2019, the Institute established a \$100,000 line of credit with Peapack-Gladstone Bank, which it can draw upon as needed for general operating purposes. The line of credit has a maturity date of November 18, 2025 and an interest rate equal to the higher of the U.S. prime rate plus 0.500 percentage points, or 5.25% per annum. The interest rate as of June 30, 2025 was 8%. As of June 30, 2025 and 2024, the Institute has an outstanding balance of \$99,976.

On November 18, 2025, the Institute paid off the outstanding balance plus any accrued interest.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

6. Long-term Debt (continued)

Economic Injury Disaster Loan Payable

On May 28, 2020, the Institute received a \$150,000 Economic Injury Disaster Loan (“EIDL”) authorized by the SBA. EIDL is to be used solely as working capital to alleviate economic injury caused by the coronavirus disaster occurring in January 2020 and still ongoing. Interest accrues at 2.75% annually, and the loan is secured by a lien on all assets of the Institute. Monthly installment payments of \$641, including interest and principal, will begin twenty-four months from the date of the loan, and the balance of interest and principal is payable thirty years from the date of the loan. On August 10, 2021 the loan amount was increased to \$500,000. As of June 30, 2025 and 2024, the Institute has an outstanding balance of \$488,024 and \$500,000.

Principal payments on the EIDL Loan are payable as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2026 | \$ 17,241 |
| 2027 | 17,241 |
| 2028 | 17,241 |
| 2029 | 17,241 |
| 2030 | 17,241 |
| Thereafter | <u>401,819</u> |
| | <u>\$ 488,024</u> |

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|-------------------|---------------------|
| Time restriction | \$ 426,531 | \$ 376,686 |
| Outreach - Paterson Music Project | 400,000 | 521,700 |
| Scholarships | 19,324 | 28,678 |
| Instruments | 14,367 | 10,395 |
| Endowment fund | - | 60,000 |
| Capital expenditures | - | 2,822 |
| NJYC | - | 2,500 |
| | <u>\$ 860,222</u> | <u>\$ 1,002,781</u> |

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

7. Net Assets With Donor Restrictions (continued)

Net assets released from donor restrictions consisted of following for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|------------------|------------------|
| Outreach - Paterson Music Project | \$410,130 | \$379,064 |
| NJYS | 187,289 | 111,894 |
| Time restriction | 125,533 | 119,000 |
| General operations | 60,000 | 150,000 |
| Scholarships | 19,654 | 54,140 |
| NJYC | 16,911 | 18,029 |
| Instruments | 8,428 | 13,089 |
| Performing Arts School | 5,401 | 10,584 |
| Capital expenditures | 2,822 | 2,677 |
| Strategic plan | <u>-</u> | <u>45,000</u> |
| | <u>\$836,168</u> | <u>\$903,477</u> |

During the fiscal year ended June 30, 2025, one donor informed the Institute that they have re-designated a portion of their contributions to the endowment fund with \$60,000 towards general operation. Accordingly, \$60,000 has been released from the endowment fund during 2025 and is included in the releases above. During the fiscal year ended June 30, 2024, two donors informed the Institute that they have re-designated a portion of their contributions to the endowment fund with \$150,000 towards general operation. Accordingly, \$150,000 has been released from the endowment fund during 2024 and is included in the releases above.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

8. Liquidity and Availability of Resources

The following reflects the Institute's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions or Board designations that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years. Total financial assets available to meet cash needs for general expenditures within one year at June 30 are as follows:

| | 2025 | 2024 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 776,443 | \$ 413,032 |
| Grant receivable, net | 31,490 | 723,616 |
| Pledges receivable, net | 781,531 | 792,153 |
| Contributions receivable | - | 100,000 |
| Accounts receivable | 44,447 | 41,524 |
| Investments | 11,963 | 10,726 |
| Total financial assets | 1,645,874 | 2,081,051 |
| Less amounts unavailable for general expenditure within one year due: | | |
| Restricted cash - endowment fund | - | 60,000 |
| Board designated - endowment fund | - | 66,388 |
| Net assets with donor restrictions | 860,222 | 942,781 |
| Less net assets with time restrictions to be met in less than one year | (337,531) | (195,653) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 1,123,183 | \$ 1,207,535 |

The Institute monitors the availability of resources to meet its operating needs and contractual commitments. As part of its liquidity management, the Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing missions related activities, as well as services undertaken to support these activities, to be general expenditures.

The Institute is substantially supported by tuition and fees, special events, grants and contracts, and contributions with and without donor restrictions. The timing of cash receipts related to this support significantly impacts the Institute's cash flows. The Institute generally maintains cash available to meet 30 to 60 days' operating expenses. Effective October 18, 2019, the Institute established a \$100,000 line of credit (see Note 6), which serves to provide working capital as needed.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

9. Retirement Plan

Employees of the Institute who meet the eligibility requirements may participate in an Internal Revenue Code Section 403(b) retirement savings plan. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement.

10. Lease Commitments

As of June 30, 2025, the Institute has numerous operating leases for buildings and office equipment. During 2025 one of the offices leases was amended and extended. Subsequent to year end, the building lease term was shortened from June 2030 to 2028.

The weighted average remaining lease term for the Institute's operating leases as of June 30, 2025 and 2024 was 3 years and 4 years and the weighted average discount rate was 3.26% and 2.90%. The ROU assets as of June 30, 2025 was \$1,040,254, including accumulated amortization of \$868,796. The ROU assets as of June 30, 2024 was \$1,097,529, including accumulated amortization of \$552,509. Cash paid for operating leases for the years ended June 30, 2025 and 2024 was \$317,322 and \$304,653. Due to the lease amendments noted above, the Institute recognized \$346,514 in ROU assets in exchange for lease obligations during 2025.

Future minimum lease payments under non-cancelable leases as of June 30, 2025 are as follows:

| | Operating Leases |
|-------------------------------|---------------------|
| 2026 | \$ 372,543 |
| 2027 | 388,744 |
| 2028 | 369,909 |
| 2029 | 42,457 |
| Total future minimum payments | 1,173,653 |
| Less: imputed interest | (55,942) |
| Total lease liabilities | \$ 1,117,711 |

A breakdown of occupancy expenses is as follows for the years ended June 30:

| | 2025 | 2024 |
|--|------------|------------|
| Operating leases, included in occupancy | \$ 353,534 | \$ 316,886 |
| Variable lease payments, included in occupancy | 148,718 | 148,185 |
| | \$ 502,252 | \$ 465,071 |

11. Related Party Transactions

During 2025, a member of the Board of Trustees provided the Institute with an unsecured, interest-free loan in the amount of \$100,000. The loan was fully repaid to the member as of June 30, 2025.

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. Concentrations

Financial instruments, that potentially subject the Institute to concentrations of credit risk and market risk consist primarily of cash, cash equivalents and restricted cash, and receivables. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation (“SIPC”) are insured up to \$500,000 (\$250,000 for cash holdings).

The Institute maintains cash, cash equivalents and restricted cash at financial institutions which at times during the year may exceed federally insured limits. The Institute has not experienced any losses on its deposits.

As of June 30, 2025, two donors individually represent 12%, and one donor individually represents 74%, of the Institute’s total pledges receivable. As of June 30, 2024, one donor represents 94% of the Institute’s total pledges receivable. In 2025, one donor individually represents 30%, and one donor individually represents 22%, and in 2024, one donor represents 33%, the Institute’s total support, which includes contributions, in-kind contributions, special events, and foundation and government grants.

13. CARES Act Revenue

The Institute qualified for the Employee Retention Credit (“ERC”) which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a government authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. Accordingly, the Institute, has elected to follow the guidance in ASC 958-605 in which conditional government grants are recognized in income as conditions are met. The Institute recognized \$706,816 for the year ended June 30, 2024, which was recorded on the 2024 consolidated statement of activities. As of June 30, 2024, the Institute had a receivable of \$912,335, and a related allowance of \$205,519, included in grants receivable on the consolidated statement of financial position. As of June 30, 2025, the Institute had a receivable of \$205,519, and a related allowance of \$205,519, included in grants receivable on the consolidated statement of financial position. The Institute received \$197,416 of accrued interest in 2025 which is recorded as CARES Act Revenue, net on the consolidated statement of activities. The ERC is subject to audit by the government agencies until 2026.

* * * * *

Supplementary Information

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Schedule of Expenditures of State Financial Assistance and Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2025

| State Grantor Department/Program Title Name | State Grant Award Number | Grant Award Period | Total State Grant Expenditures | Total State Grant Expenditures to Date |
|--|-----------------------------|--------------------|--------------------------------------|---|
| State of New Jersey - Department of State New Jersey State Council on the Arts General Operating Support | 2515A010060 | 7/1/2024-6/30/2025 | \$ 120,960 | \$ 120,960 |

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance presents the activity of all New Jersey state financial assistance programs of The Wharton Institute for the Performing Arts, Inc. (the "Institute") for the year ended June 30, 2025. All state financial assistance received directly or indirectly from state agencies is included on the schedule of expenditures of state financial assistance. Because the schedule of expenditures of state financial assistance presents only a selected portion of the operations of the Institute, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of the Institute.

2. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of state financial assistance is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

3. Relationship to State Financial Reports

Amounts reported on the accompanying schedule of expenditures of state financial assistance agree with the amounts reported in the related state financial reports.

See independent auditors' report

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditors' Report

Board of Trustees

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries (the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 20, 2025. Only the financial statements of The Wharton Institute for the Performing Arts, Inc. were audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with any other entity.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**To the Board of Trustees
The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

November 20, 2025

The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs
June 30, 2025

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to consolidated financial statements noted?

_____ yes X no

Section II – Financial Statement Findings

None

Section III – Status of Prior Year Findings

None