

## Greetings,

During the 2008–2009 and 2009–2010 seasons, the Kimmel Center celebrated many great moments; we also struggled through difficult times.

Our stages were home to jazz masters, the world's great orchestras, dance powerhouses, rock and country superstars, Broadway hits, and a mosaic of artists from around the world. More than one million people each season visited the Kimmel Center and were moved by Kimmel Center Presents, Broadway, and Resident Company offerings. And we've continued to cultivate tomorrow's arts patrons through our outstanding education and community outreach programs. However, expectations from our wide-ranging programming selections were muted by the realities of a global economic downturn that affected performing arts centers nationwide and profoundly impacted the way we do business.

To prepare for operating within new fiscal realities and to continue providing support to our eight Resident Companies, in June 2009, the Kimmel Center completed a five-year strategic plan. It called for a comprehensive assessment of where we stand, relative to similar centers in the United States, and where we need to be to flourish. As part of the study, we compared our current operating model to others; evaluated our community and marketplace to identify challenges and opportunities; and collected information on the national perspective regarding the performing arts.

With the information gathered, we charted the Kimmel Center's course for the future, designing a major restructuring around our most valuable resources: programming, our Resident Companies, and staff. With this letter, I take the opportunity to share some outcomes of this process, as well as other recent achievements.



Kimmel Center President and CEO, Anne Ewers

## RESTRUCTURING THE WAY WE WORK

### PROGRAMMING

The Kimmel Center's mission remains, in part, to "present artistic programming of the highest quality that serves diverse audiences and brings world-renowned artists to Philadelphia." Guided by this principle, we adjusted our overall strategy with a three-fold approach: claiming our unique niche, selecting programs based on their ability to attract audiences and funding from outside sources, and driving more patrons to fewer performances each season to minimize costs. We also sought to eliminate programming redundancy within Philadelphia's arts community and balance artistically significant performances with those that are financially viable.

To this end, we decreased the number of Kimmel Center Presents series from 11 in 2009–2010 to five this current season (2010–2011). In addition, we are now partnering more with co-promoters, such as Live Nation and AEG. These relationships help us reach a broader audience and increase our revenue potential, while minimizing risk.

In September 2009, we entered into an agreement with the University of the Arts to manage its historic Merriam Theater, located just a few doors down from the Kimmel Center on the Avenue of the Arts. Adding the 1,790-seat theater to our list of venues—which also includes the Academy of Music—enables us to program more theater, dance, comedy, and concerts of all types, from folk to gospel to rock. Such shows expand our appeal to new audiences and make possible more co-presentations.

### RESIDENT COMPANY SUPPORT

One of the principal means by which the Kimmel Center realizes our mission is by making world-class performing venues available to our Resident Companies at below-cost rents. To help them weather current economic conditions and thrive in future years, we provide rent concessions whenever possible. Before the recession, we charged our Resident Companies \$4.7 million less than it costs to operate our venues. As part of the restructuring, we reduced their rent by \$1.4 million, for a total subsidy of \$6.1 million.

### STAFFING

A necessary component of the restructuring was streamlining our staffing structure. We reorganized certain departments, redefined some positions, and eliminated others altogether. Additionally, we redistributed the responsibilities of the Facilities Sales Department among the Facilities and Operations Department and our catering contractor, Restaurant Associates, in order to consolidate expenses. And we reduced other operating expenses by \$700,000 in a number of areas across the organization.

These changes presented immense challenges. Yet, they also created new opportunities, including the creation of an Institutional Strategy and Planning (ISP) department, which merges government relations, communications, data and research, fund-raising, and infrastructure. ISP helps us better identify and nimbly respond to community needs and arising opportunities.

We also moved key high-level development positions out of ISP and into the Office of the President, where they now work closely with me to identify funding prospects, cultivate donors, and solicit gifts.

Lights  
up  
on  
grace and  
goosebumps



## IN OTHER NEWS

### LIGHTS UP ON A NEW BRAND

Simultaneous to the restructuring, we embarked on an exciting new rebrand. Years of stakeholder feedback from patrons, donors, Resident Companies, and our own staff indicated widespread confusion about “what the Kimmel Center is.” To help clarify our brand for everyone, we engaged the award winning advertising agency Red Tettemer in 2009. In collaboration with in-house marketing and design staff, the agency created a vibrant new identity for the Kimmel Center and developed a brand statement (see sidebar) that turns the Lights Up on all that we offer to the people we serve.

Today, each of our spaces is clearly identified by bold and inspirational visuals evoking the anticipation and unique wonder that characterizes every Kimmel Center for the Performing Arts experience. Take notice on your next visit!

### PHILADELPHIA INTERNATIONAL FESTIVAL OF THE ARTS

The past 24 months have been a whirlwind of energy, as organizations of every size and scope worked together to bring PIFA 2011 to life. Inspired by the Kimmel Center and funded by a generous grant from the Annenberg Foundation, the three-week, citywide festival turns a spotlight on Philadelphia’s arts and culture scene. Featuring music, dance, fashion, fine arts, poetry, cuisine, and more, PIFA is the culmination of many months of effort by so many people. For their work, we are grateful!

### IN CLOSING

The recent period of transition at the Kimmel Center marked a turning point in our history. As we enter into the center’s second decade, I applaud everyone who helped us reach this milestone—from you, our loyal donor and patron, to the ushers who show you to your seat, from our professional staff to the artists of our Resident Companies. Thank you for making the Kimmel Center a cornerstone of Philadelphia’s economy and a beacon for the region’s performing arts community. Lights up on many more years together!

Sincerely,



Anne Ewers  
President and CEO

Lights  
up  
on  
a night he'll  
remember  
10,000 nights  
later

# Lights up on **impact**

The Kimmel Center significantly impacts the City, state, and regional economies. Annually, we generate, directly and indirectly, nearly \$350 million per year in economic activity that supports nearly 4,200 jobs in the state. According to a September 2010 report by Econsult Corporation, PIFA is expected to have a similarly significant positive economic impact by generating upwards of \$31 million in economic activity, while also creating and supporting nearly 400 jobs.

## **TWO SEASONS OF SPECTACULAR PERFORMANCES**

- Over the 2008-2009 and 2009-2010 seasons, 671,000 patrons attended 693 performances as part of our Kimmel Center Presents and Broadway Series.
- During each year, approximately one million people attended all performances and events at the Kimmel Center and its facilities, including our Resident Companies.

## **COMMUNITY OUTREACH AND EDUCATION**

- We continued our tradition of offering a variety of free arts education programming to students from throughout the region, including: curriculum-based classes, Teen Summer Arts Camps, Kimmel Center Youth Jazz Ensemble and our Dance in the Schools program in five Philadelphia public schools.
- Over the past two seasons, we reached over 11,000 youth and adults with our education programs.
- More than 25,000 people attended 97 free and community programming events, including Summer Solstice and Free in the Plaza.

## **ECONOMIC IMPACT\***

- The Kimmel Center directly and indirectly contributed \$350 Million in economic impact to the region over the 2009-2010 Season.
- We also directly and indirectly supported approximately 4,200 jobs in the State.
- In addition, the inaugural Philadelphia International Festival for the Arts (PIFA) is expected to generate an additional \$31 Million in economic activity, creating and supporting nearly 400 jobs.

\*From Economic Impacts of the Kimmel Center for the Performing Arts, September 2010

## STATEMENT OF FINANCIAL POSITION

June 30, 2009 and 2008  
(dollar amounts in thousands)

	2009	2008		2009	2008
<b>ASSETS</b>			<b>LIABILITIES AND NET ASSETS</b>		
Cash	\$3,620	\$9,453	Accounts payable and accrued expenses	\$2,743	\$3,471
Grants Receivable	3,045	-	Line of credit	1,300	-
Current portion of contributions, receivable, net	5,429	3,752	Other current liabilities	3,419	6,426
Other current assets	1,660	2,319	<b>Total current liabilities</b>	<b>7,462</b>	<b>9,897</b>
<b>Total current assets</b>	<b>13,754</b>	<b>15,524</b>	Notes payable, net of current portion	200	543
Non-current portion of contributions, receivable, net	5,082	8,204	Other liabilities	120	216
Endowment funds	59,359	64,499	<b>Total liabilities</b>	<b>7,782</b>	<b>10,656</b>
Land, building and equipment, net	199,863	204,801	Total net assets	271,769	283,983
Deferred financing costs, net	36	11	<b>Total liabilities and net assets</b>	<b>\$279,551</b>	<b>\$294,639</b>
Other non-current assets	1,457	1,600			
<b>Total Assets</b>	<b>\$279,551</b>	<b>\$294,639</b>			

## STATEMENT OF ACTIVITIES

June 30, 2009  
(dollar amounts in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Programming and education	\$16,497	\$ -	\$ -	\$16,497
Ticket surcharges	2,298	-	-	2,298
Outside and resident company rentals and charges	9,217	-	-	9,217
Contributions, sponsorships and memberships	1,809	4,549	-	6,358
Other	2,234	963	-	3,197
Contributions and sponsorships released from restrictions	3,916	(2,595)	(1,321)	-
<b>Total operating revenue and support</b>	<b>35,971</b>	<b>2,917</b>	<b>(1,321)</b>	<b>37,567</b>
<b>Operating expenses before depreciation and amortization:</b>				
Programming and education	10,790	-	-	10,790
Facilities operations	15,359	-	-	15,359
Marketing and communications	5,190	-	-	5,190
Management, administration and general	3,461	-	-	3,461
Fundraising	1,357	-	-	1,357
<b>Total operating expenses</b>	<b>36,157</b>	<b>-</b>	<b>-</b>	<b>36,157</b>
Interest expense	44	-	-	44
<b>Operating income (loss) (before depreciation, and amortization)</b>	<b>(230)</b>	<b>2,917</b>	<b>(1,321)</b>	<b>1,366</b>
Depreciation and amortization	(6,544)	-	-	(6,544)
<b>Change in net assets from operations</b>	<b>(6,774)</b>	<b>2,917</b>	<b>(1,321)</b>	<b>(5,178)</b>
<b>Non-operating revenue, support and non-recurring charges</b>				
Contributions	(1,133)	32	(6,547)	(7,648)
Other revenue and expense	(1,945)	1,945	-	-
Funds restricted by the Center	(3,078)	1,977	(5,935)	(7,036)
<b>Change in net assets</b>	<b>\$(9,852)</b>	<b>\$4,894</b>	<b>\$(7,256)</b>	<b>\$(12,214)</b>

## STATEMENT OF OPERATIONS

June 30, 2009 and 2008  
(dollar amounts in thousands)

	2009	2008
<b>OPERATING REVENUE AND SUPPORT</b>		
Programming and education	\$16,497	\$13,886
Ticket surcharges	2,298	2,694
Outside and resident company rentals and charges	9,217	9,633
Contributions, sponsorships and memberships	1,809	3,131
Other	2,234	1,626
Contributions and sponsorships released from restrictions	3,916	4,796
<b>Total operating revenue and support</b>	<b>35,971</b>	<b>35,766</b>
<b>Operating expenses before depreciation and amortization:</b>		
Programming and education	10,790	6,611
Facilities operations	15,359	16,786
Marketing and communications	5,190	4,625
Management, administration and general	3,461	3,822
Fundraising	1,357	1,519
<b>Total operating expenses</b>	<b>36,157</b>	<b>33,363</b>
Interest expense	44	1,199
Total operating expenses before depreciation and amortization	36,201	34,562
<b>Operating income (loss) (before depreciation, and amortization)</b>	<b>\$(230)</b>	<b>\$1,204</b>

## STATEMENT OF FINANCIAL POSITION

June 30, 2010 and 2009  
(dollar amounts in thousands)

	2010	2009		2010	2009
<b>ASSETS</b>			<b>LIABILITIES AND NET ASSETS</b>		
Cash	\$7,565	\$3,620	Accounts payable and accrued expenses	\$3,410	\$2,743
Grants Receivable	773	3,045	Line of credit	-	1,300
Current portion of contributions, receivable, net	6,530	5,429	Other current liabilities	3,846	3,419
Other current assets	1,581	1,660	<b>Total current liabilities</b>	<b>7,256</b>	<b>7,462</b>
<b>Total current assets</b>	<b>16,449</b>	<b>13,754</b>	Notes payable, net of current portion	-	200
Non-current portion of contributions, receivable, net	367	5,082	Other liabilities	108	120
Endowment funds	54,158	59,359	<b>Total liabilities</b>	<b>7,364</b>	<b>7,782</b>
Land, building and equipment, net	194,749	199,863	Total net assets	260,281	271,769
Deferred financing costs, net	29	36	<b>Total liabilities and net assets</b>	<b>\$267,645</b>	<b>\$279,551</b>
Other non-current assets	1,893	1,457			
<b>Total Assets</b>	<b>\$267,645</b>	<b>\$279,551</b>			

## STATEMENT OF ACTIVITIES

June 30, 2010  
(dollar amounts in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Programming and education	\$16,050	\$ -	\$ -	\$16,050
Ticket surcharges	2,332	-	-	2,332
Outside and resident company rentals and charges	8,366	-	-	8,366
Contributions, sponsorships and memberships	3,535	4,738	-	8,273
Contributions and sponsorships released from restrictions	5,847	(4,384)	(1,463)	-
<b>Total operating revenue and support</b>	<b>36,130</b>	<b>354</b>	<b>(1,463)</b>	<b>35,021</b>
<b>Operating expenses before depreciation and amortization:</b>				
Programming and education	16,424	-	-	16,424
Facilities operations	7,358	-	-	7,358
Marketing and communications	6,309	-	-	6,309
Management, administration and general	4,011	-	-	4,011
Fundraising	1,482	-	-	1,482
<b>Total operating expenses</b>	<b>35,584</b>	<b>-</b>	<b>-</b>	<b>35,584</b>
Interest expense	69	-	-	69
<b>Operating income (loss) (before depreciation, and amortization)</b>	<b>477</b>	<b>354</b>	<b>(1,463)</b>	<b>(632)</b>
Depreciation and amortization	(6,430)	-	-	(6,430)
<b>Change in net assets from operations</b>	<b>(5,953)</b>	<b>354</b>	<b>(1,463)</b>	<b>(7,062)</b>
<b>Non-operating revenue, support and non-recurring charges</b>				
Contributions	-	-	(4,969)	(4,969)
Other revenue and expense	(1,713)	984	1,272	543
Non-operating revenues and support released from restrictions	6,004	(6,004)	-	-
Funds restricted by the Center	(89)	89	-	-
	4,202	(4,931)	(3,697)	(4,426)
<b>Change in net assets</b>	<b>\$ (1,751)</b>	<b>\$ (4,577)</b>	<b>\$ (5,160)</b>	<b>\$ (11,488)</b>

## STATEMENT OF OPERATIONS

June 30, 2010 and 2009  
(dollar amounts in thousands)

	2010	2009
<b>OPERATING REVENUE AND SUPPORT</b>		
Programming and education	\$16,050	\$16,497
Ticket surcharges	2,332	2,298
Outside and resident company rentals and charges	8,366	9,217
Contributions, sponsorships and memberships	3,535	1,809
Other	-	2,234
Contributions and sponsorships released from restrictions	5,847	3,916
<b>Total operating revenue and support</b>	<b>36,130</b>	<b>35,971</b>
<b>Operating expenses before depreciation and amortization:</b>		
Programming and education	16,424	10,790
Facilities operations	7,358	15,359
Marketing and communications	6,309	5,190
Management, administration and general	4,011	3,461
Fundraising	1,482	1,357
<b>Total operating expenses</b>	<b>35,584</b>	<b>36,157</b>
Interest expense	69	44
Total operating expenses before depreciation and amortization	35,653	36,201
<b>Operating income (loss) (before depreciation, and amortization)</b>	<b>\$477</b>	<b>\$(230)</b>