KPMG

THE CARNEGIE HALL CORPORATION

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The Carnegie Hall Corporation:

We have audited the accompanying financial statements of The Carnegie Hall Corporation, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Carnegie Hall Corporation as of June 30, 2020 and 2019, 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.

KPMG LLP

November 2, 2020

THE CARNEGIE HALL CORPORATION

Balance Sheets

June 30, 2020 and 2019

Assets		2020	2019
Cash and cash equivalents	$	45,597,756	17,528,836
Contributions receivable, net (note 5)		52,717,855	61,893,879
Prepaid expenses and other assets (note 2)		1,805,844	2,933,715
Investments (note 2)		321,235,768	333,139,827
Fixed assets, net (note 3)		234,080,947	242,547,587
Total assets	$	655,438,170	658,043,844
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	10,273,140	8,538,652
Advance sale of tickets and other deferred revenue		11,513,099	14,854,871
Accrued pension benefit obligation (note 9)		35,967,190	28,725,128
Loans payable (note 7)		139,874,271	108,723,405
Total liabilities		197,627,700	160,842,056
Net assets (note 11):			
Without donor restrictions		101,902,723	129,360,963
With donor restrictions		355,907,747	367,840,825
Total net assets		457,810,470	497,201,788
Total liabilities and net assets	$	655,438,170	658,043,844

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Activities

Years ended June 30, 2020 and 2019

	2020	2019
Change in net assets without donor restrictions:		
Revenues:		
Earned revenue:		
Box office receipts from Carnegie Hall produced events	$ 9,621,185	16,131,950
Hall rental operations	10,486,067	18,230,257
Real estate operations and other (note 6)	15,643,929	15,678,587
Total earned revenue	35,751,181	50,040,794
Contributed income:		
Annual campaign and fund-raising events	14,349,484	17,972,969
The City of New York and other government agency grants	487,029	441,579
Net assets released from restrictions:		
Satisfaction of donor restrictions	22,175,996	30,187,656
Total contributed revenue	37,012,509	48,602,204
Investment income:		
Endowment support released from restriction/authorized for spending (note 11)	18,919,000	15,475,000
Other investment income (note 2)	566,734	40,668
Total operating investment income	19,485,734	15,515,668
Total operating revenues	92,249,424	114,158,666
Expenses and losses (note 8):		
Carnegie Hall produced events and audience development	15,529,991	19,360,597
Hall operations	16,028,674	19,940,059
Real estate operations (note 6)	20,426,983	20,268,526
Weill Music Institute education programs	11,832,435	12,444,057
Creative services, digital, and other	3,659,201	3,765,992
General and administrative	14,680,656	16,443,246
Fund-raising expenses	5,834,212	5,995,530
Loss on refunding of bond (note 7)	1,250,542	—
Interest expense (note 7)	4,495,987	5,505,643
Total expenses and losses	93,738,681	103,723,650
(Deficiency) excess of operating revenues over expenses	(1,489,257)	10,435,016
Nonoperating:		
Depreciation and amortization expense (note 8)	(14,801,372)	(15,680,905)
Investment return, net (note 2)	205,011	195,068
Endowment spending transfer (note 11)	(448,380)	(366,757)
Pension nonservice cost (notes 8 and 9)	(733,762)	(899,502)
Loss not yet recognized as a component of net periodic benefit cost (note 9)	(10,190,480)	(4,181,013)
Loss on disposal of fixed assets (note 3)	—	(554,110)
Decrease in net assets without donor restrictions	(27,458,240)	(11,052,203)
Change in net assets with donor restrictions:		
Contributions	18,453,049	24,917,535
The City of New York and other government agency grants	1,771,675	1,694,951
Investment return, net (note 2)	8,445,249	8,035,655
Endowment campaign contributions (note 11)	43,565	549,647
Net assets released from restrictions:		
Satisfaction of donor restrictions	(22,175,996)	(30,187,656)
Endowment support (note 11)	(18,470,620)	(15,108,243)
Decrease in net assets with donor restrictions	(11,933,078)	(10,098,111)
Decrease in net assets	(39,391,318)	(21,150,314)
Net assets at beginning of year	497,201,788	518,352,102
Net assets at end of year	$ 457,810,470	497,201,788

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Decrease in net assets	$	(39,391,318)	(21,150,314)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation and amortization		14,801,372	15,680,905
Loss not yet recognized as a component of net periodic benefit cost		10,190,480	4,181,013
Amortization of bond (premium) discount and issuance costs		(1,371,524)	62,527
Loss on disposal of fixed assets		—	554,110
Loss on refunding of bonds		1,250,542	—
Realized and unrealized gains on investments		(7,005,637)	(6,390,816)
Endowment contributions		(43,565)	(549,647)
Changes in assets and liabilities:			
Contributions receivable, less amounts classified as financing activities		9,152,296	(2,169,840)
Prepaid expenses and other assets		1,127,871	150,459
Accrued pension benefit obligation		(2,948,418)	412,366
Other operating liability accounts		(1,607,284)	2,375,935
Net cash used in operating activities		(15,845,185)	(6,843,302)
Cash flows from investing activities:			
Purchases of investments		(274,771,085)	(242,392,594)
Proceeds from sale of investments		293,680,781	249,660,095
Purchase of fixed assets		(6,334,732)	(5,526,810)
Net cash provided by investing activities		12,574,964	1,740,691
Cash flows from financing activities:			
Proceeds from endowment and capital contributions		67,293	8,072,140
Decrease in funds held by trustee		—	452,309
Proceeds from line of credit		25,000,000	—
Proceeds from Paycheck Protection Program loan		5,517,500	—
Proceeds from 2019 bond		111,784,464	—
Bond issuance costs		(1,030,116)	—
Repayment of 2009 bonds		(110,000,000)	—
Payments on loans		—	(3,834,606)
Net cash provided by financing activities		31,339,141	4,689,843
Net increase (decrease) in cash and cash equivalents		28,068,920	(412,768)
Cash and cash equivalents at beginning of year		17,528,836	17,941,604
Cash and cash equivalents at end of year	$	45,597,756	17,528,836

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Carnegie Hall Corporation (the Corporation or Carnegie Hall) was established in 1960 by legislation of the State of New York for the purpose of managing and operating Carnegie Hall and adjoining properties as an auditorium and facility for concerts and other cultural, educational, and other activities. The Corporation has been classified by the Internal Revenue Service as a 501(c)(3) organization and is exempt from substantially all federal, state, and local taxes.

The significant accounting policies of Carnegie Hall are discussed below and in the following notes to the financial statements.

(b) Basis of Presentation

Carnegie Hall's net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions –Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired, and amounts designated by the board to function as endowment (note 11). Carnegie Hall considers depreciation and amortization, investment return in excess of (less than) the spending rate, pension plan adjustments, and net assets released from restrictions for capital, endowment spending transfer and other nonrecurring activities to be nonoperating in the statements of activities.

With Donor Restrictions – Net assets that are subject to donor-imposed stipulations that will be met by either actions of Carnegie Hall or the passage of time. Items that affect this net asset category are gifts restricted principally to artistic and education programs, unexpended gains on the endowment fund, and net assets that are subject to donor-imposed stipulations to be maintained in perpetuity. The income from the endowment is expendable principally to support the artistic, education, and general activities of Carnegie Hall (note 11).

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor-imposed restrictions or by law. As discussed in note 11, investment income on donor-restricted endowment funds is recorded as net assets with donor restrictions until appropriated for expenditure. When restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished or endowment funds are appropriated for expenditure, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions.

(c) Cash Equivalents

Cash equivalents include short-term investments with original maturities of three months or less at the time of purchase, except for those short-term investments managed by Carnegie Hall's investment managers as part of their long-term investment strategy.

(d) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1 Quoted or published prices in active markets for identical assets or liabilities that Carnegie Hall has the ability to access at the measurement date

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 Inputs that are unobservable at or near the balance sheet date

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the hierarchy does not necessarily correspond to Carnegie Hall's perceived risk of that instrument.

(e) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenue, expenses, gains, and losses recognized during the reporting period. Significant estimates made in preparation of the financial statements include the valuation of alternative investments, net realizable value of contributions receivable, valuation of pension benefit obligation, determination of depreciable lives for fixed assets, and allocation of functional expenses. Actual results could differ from those estimates.

(f) New Accounting Pronouncements

During 2020, Carnegie Hall adopted Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU requires that a statement of cash flows explains the change during the period in the total cash, and cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU has been applied retrospectively. The implementation of this ASU did not have a significant impact on the financial statements.

During 2020, Carnegie Hall also adopted ASU No. 2016-15*, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. The ASU requires entities to classify cash receipts and payments as cash flows from operating, investing, or financing activities based on the nature of the cash flow. It also requires noncash investing and financing activities to be disclosed. The ASU has been applied retrospectively. The implementation of this ASU did not have a significant impact on the financial statements.

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(g) Box Office and Rental Hall Operation Income

Ticket sales are recognized as box office revenue on a specific performance basis. Advance ticket sales for the receipt of payment for future performances are reported in advance sale of tickets and other deferred revenue in the balance sheets. Such amounts were approximately $5.8 million and $7.9 million in 2020 and 2019, respectively, and will be recognized as revenue in the subsequent periods.

Hall rental operations income is recognized as revenue when the performance space is utilized. Amounts received in advance are reported as a liability in advance hall rentals and other deferred revenue and are recognized as revenue when the space is utilized. Amounts received in advance were approximately $3.9 million and $3.8 million in 2020 and 2019, respectively, and will be recognized as revenue in the subsequent periods.

In response to COVID-19, Carnegie Hall cancelled concerts starting March 13, 2020 through June 30, 2020. Customers were given the option of a refund, to donate the cost of their ticket or to receive a credit to be applied against a future concert date.

(h) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(i) Subsequent Events

In connection with the preparation of the financial statements, Carnegie Hall evaluated subsequent events after the balance sheet date of June 30, 2020 through November 2, 2020, which was the date the financial statements were issued. Carnegie Hall determined that there are no additional subsequent events to disclose, except as disclosed in note 12.

(2) Investments

Investments are stated at fair value based upon quoted or published market prices except for the fair values of alternative investments, including equity, fixed income, real estate, and private equity funds, which are based on net asset values (practical expedient) provided by the fund managers and general partners based upon the underlying net assets of the funds. These values are reviewed and evaluated by management. Alternative investments, real estate, and private equity funds are generally less liquid than other investments and the reported fair value may differ from the values that would have been reported had a ready market for these investments existed.

The following table presents the fair value hierarchy for those investments reported at fair value as of June 30, 2020:

	Fair value	Level 1
Fixed income:		
Short-term duration	$ 38,711,099	38,711,099
U.S. Treasury and agencies	14,766,907	14,766,907
Equities:		
Domestic and foreign	83,265,346	83,265,346
	136,743,352	$ 136,743,352
Investments reported at net asset value	184,492,416	
Total investments	$ 321,235,768	

The following table presents the fair value hierarchy for those investments reported at fair value as of June 30, 2019:

	Fair value	Level 1
Fixed income:		
Short-term duration	$ 37,078,399	37,078,399
U.S. Treasury and agencies	19,515,150	19,515,150
Equities:		
Domestic and foreign	91,208,850	91,208,850
	147,802,399	$ 147,802,399
Investments reported at net asset value	185,337,428	
Total investments	$ 333,139,827	

Carnegie Hall's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

The following tables present the liquidity and outstanding commitments for all investments reported at net asset value as of June 30, 2020 and 2019:

	June 30, 2020					
		Liquidity				
	Fair value	Monthly/ quarterly	Semiannual	Annual	Greater than one year	Outstanding commitments
Equities:						
Domestic	$ 12,339,307	—	—	—	12,339,307	—
Event driven	27,694,696	—	27,307,349	387,347	—	—
Sector long/short	62,596,315	44,167,961	18,428,354	—	—	—
Foreign	16,464,817	16,322,121	—	—	142,696	—
Alternative investments:						
Global long/short debt/equity funds	567,732	—	—	—	567,732	—
Distressed debt hedge funds	12,953,444	10,488,635	2,361,498	—	103,311	—
Multi-strategy hedge funds	32,391,847	32,306,038	—	—	85,809	—
Real estate	4,926,952	—	—	—	4,926,952	32,410
Private equity	14,557,306	—	—	—	14,557,306	2,241,692
	$ 184,492,416	103,284,755	48,097,201	387,347	32,723,113	2,274,102

	June 30, 2019					
		Liquidity				
	Fair value	Monthly/ quarterly	Semiannual	Annual	Greater than one year	Outstanding commitments
Equities:						
Event driven	$ 28,101,881	—	27,186,516	915,365	—	—
Sector long/short	57,361,203	27,042,488	20,318,715	—	10,000,000	—
Foreign	29,931,369	29,790,676	—	—	140,693	—
Alternative investments:						
Global long/short debt/equity funds	749,262	—	—	—	749,262	—
Distressed debt hedge funds	13,379,346	10,528,179	2,400,285	—	450,882	—
Multi-strategy hedge funds	32,410,858	32,251,630	—	—	159,228	—
Real estate	5,459,133	—	—	—	5,459,133	519,779
Private equity	17,944,376	—	—	—	17,944,376	2,544,887
	$ 185,337,428	99,612,973	49,905,516	915,365	34,903,574	3,064,666

For investments with monthly, quarterly, semiannual, and annual redemptions, the notice periods for redemptions range from approximately 10 to 180 days as of June 30, 2020. At June 30, 2020, Carnegie Hall had commitments of approximately $2.3 million relating to private equity and real estate investments, for which capital calls had not been made. Such commitments generally have fixed expiration dates or other termination clauses. Carnegie Hall maintains sufficient liquidity in its investment portfolio to cover such calls. Additionally, at June 30, 2020, Carnegie Hall's investments in private equity and real estate investments had remaining lives of 1 to 10 years.

Funds held by trustee included in prepaid expenses and other assets, totaling $6,950 at June 30, 2020 and $3 at June 30, 2019 are invested in cash, which is considered Level 1 within the fair value hierarchy.

In 2020 and 2019, investment return includes the following components:

		2020	2019
Interest and dividends, net of fees	$	2,211,357	1,880,575
Realized and unrealized gains		7,005,637	6,390,816
	$	9,216,994	8,271,391

(3) Fixed Assets

Fixed assets are recorded at cost and consist of the following at June 30, 2020 and 2019:

		2020	2019
Leasehold improvements	$	342,935,446	349,409,913
Building		8,400,000	8,400,000
Furniture and equipment		6,633,892	9,590,861
		357,969,338	367,400,774
Less accumulated depreciation and amortization		(123,888,391)	(124,853,187)
	$	234,080,947	242,547,587

The cost of leasehold improvements is amortized using the straight-line method over the estimated useful lives of the assets or term of the lease, whichever is shorter, ranging principally from 10 to 40 years. The building is depreciated using the straight-line method over the estimated useful life of 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging principally from 5 to 10 years.

During fiscal year ending June 30, 2020, Carnegie Hall disposed of fixed assets with a cost of $15,766,168 and accumulated depreciation of $15,766,168. During fiscal year ending June 30, 2019, Carnegie Hall disposed of fixed assets with a cost of $9,877,068 and accumulated depreciation of $9,322,958, resulting in a loss of $554,110.

The City of New York has historically made grants to Carnegie Hall for capital improvement purposes. No amounts were received for such purpose in the fiscal years ending June 30, 2020 and 2019.

(Continued)

(4) Liquidity and Availability

As of June 30, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capital were as follows:

		2020	2019
Cash and cash equivalents	$	45,597,756	17,528,836
Contributions receivable, net		52,717,855	61,893,879
Investments		321,235,768	333,139,827
Total financial assets		419,551,379	412,562,542
Less:			
Amounts unavailable for general expenditures within one year, due to:			
Receivables greater than one year		(37,395,526)	(40,637,453)
Endowments with donor restrictions		(292,664,938)	(303,782,253)
Endowments without donor restrictions		(7,129,715)	(7,373,084)
Other donor restricted funds		(9,663,611)	(11,557,160)
Total amounts unavailable for general expenditures within one year		(346,853,790)	(363,349,950)
Plus:			
Annual endowment support and other spending		21,619,000	18,470,000
Plus:			
Bank line of credit		—	25,000,000
Total financial assets and liquidity resources available within one year	$	94,316,589	92,682,592

Carnegie Hall manages its liquidity by developing annual operating and capital budgets that provide sufficient funds for general expenditures. Monthly review of actual-to-budget reporting at the departmental and combined levels are performed. In addition, a formal reforecast is undertaken mid-year, and adjustments are made if necessary, to ensure adequate liquidity.

Based on past performance and current expectations, management believes that the cash flows from operations, cash on hand and investments will satisfy Carnegie Hall’s working capital needs, capital expenditures, commitments and other liquidity requirements associated with existing operations through the next 12 months.

(Continued)

(5) Contributions

Contributions receivable at June 30, 2020 and 2019 are scheduled to be collected as follows:

		2020	2019
Less than one year	$	15,322,329	21,231,426
One to five years		38,909,725	42,784,282
Greater than five years		1,925,000	4,450,000
		56,157,054	68,465,708
Allowance for uncollectible contributions receivable		(85,000)	(30,000)
Adjustment to reflect contributions receivable at discounted value (at rates ranging from 3% to 5%)		(3,354,199)	(6,541,829)
	$	52,717,855	61,893,879

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

Amounts receivable from five donors represented 69% and 72% of gross contributions receivable as of June 30, 2020 and 2019, respectively.

Fund-raising expenses, exclusive of depreciation, reflected in the accompanying financial statements of $5,834,212 and $5,995,530 have been incurred to raise contributions and grants, including contributions with donor restrictions, totaling $35,104,802 and $45,576,681 in 2020 and 2019, respectively.

(6) Property Lease

The Corporation has a lease with the City of New York (the Master Lease) covering the Carnegie Hall building and land, and the land adjacent thereto (the Tower Property). The Corporation subleases the Tower Property (the Sublease) to a real estate developer (the Subtenant) who has constructed an office building on this property. The Master Lease and the Sublease expire in 2086. Under the terms of the Master Lease, the annual rental expense for the Carnegie Hall building and land is currently $183,600. However, the City of New York has directed that this amount be used by the Corporation for specific operating purposes in lieu of payment of rent. The annual rent payable to the City of New York for the Tower Property is based on the amount of revenue the Corporation receives from the Subtenant. The subrental revenue is subject to adjustment based upon subtenant commercial rental revenue, property value, and any refinancing or property transfer, as defined in the Sublease.

Future minimum payments relating to the Tower Property due under the Master Lease, related Sublease, and other operating leases are as follows:

	Future minimum lease payments	Future minimum subrental revenue
Year ending June 30:		
2021	$ 8,549,276	12,213,252
2022	8,549,276	12,213,252
2023	8,549,276	12,213,252
2024	8,549,276	12,213,252
2025	8,549,276	12,213,252

The Tower Property subrental revenue for the years ended June 30, 2020 and 2019 amounted to $13,273,814 and $13,338,835, respectively. The Tower Property rent expense paid to the City of New York for the years ended June 30, 2020 and 2019 amounted to $9,291,670 and $9,337,185, respectively.

(7) Loans Payable and Line of Credit

In September 2019, The Trust for Cultural Resources of The City of New York (The Trust) issued $87,540,000 of Series 2019 Revenue Bonds, the proceeds of which were loaned to Carnegie Hall. The proceeds, including a premium of $24,244,464 was used to refund the $110,000,000 Series 2009 Revenue Bonds on December 1, 2019. For the period September 5, 2019 to December 1, 2019, the proceeds were invested in State and Local Government Series Securities and earned $549,239.

The interest on the Series 2019 bonds is fixed at 5% and is payable each December 1 and June 1. Loan principal repayments are scheduled to commence in FY21 with the first payment of $1,200,000 due on December 1, 2020. Interest expense for the year ended June 30, 2020 was $2,139,274. Carnegie Hall is in compliance with the requirements of the loan documents.

As of June 30, 2020, the Series 2019 Revenue Bonds had an unamortized bond premium and unamortized issuance costs of $22,784,872 and $968,101 respectively, included in loans payable in the accompanying balance sheet.

In December 2009, The Trust issued Series 2009 Revenue Bonds and loaned the proceeds to Carnegie Hall. In December 2019, the bonds, with a principal balance of $110,000,000 were redeemed using the proceeds from the Series 2019 Revenue Bonds.

Interest expense on the Series 2009 Revenue Bonds for the years ended June 30, 2020 and June 30, 2019 was $2,264,760 and $5,435,425, respectively. Series 2009 Revenue Bonds unamortized issuance costs of $1,096,797 and unamortized bond discount of $153,745 were written off in December 2019.

Carnegie Hall has a $25,000,000 revolving line of credit dated December 31, 2019 with a termination date of February 28, 2023, which replaced the $25,000,000 revolving line of credit that terminated on December 31, 2019. Amounts outstanding under the lines of credit at June 30, 2020 and June 30, 2019 were $25,000,000 and $0, respectively. The outstanding amount is recorded as a liability and included with loans payable in the accompanying balance sheets.

The interest rate range on the outstanding amounts was .61% to 1.06% at June 30, 2020. The fixed fee rate on the unused balance was .08% and 0.10% at June 30, 2020 and 2019, respectively. Interest and fees expensed on the lines of credit for the years ended June 30, 2020 and 2019 were $91,953 and $70,218, respectively. The line of credit agreement requires Carnegie Hall to meet certain financial covenants. At June 30, 2020, Carnegie Hall was in compliance with the financial covenants.

In April 2020, Carnegie Hall applied for and received a $5,517,500 loan under the Payroll Protection Program. The loan is recorded as a liability and included with loans payable in the accompanying balance sheet at June 30, 2020. Carnegie Hall intends to apply for forgiveness in accordance with the provisions of the loan by December 31, 2020.

(8) Functional Classification of Expenses

Carnegie Hall excluded depreciation and amortization, interest, and pension nonservice cost from the functional expense categories in the statements of activities for the year ended June 30, 2020. Expenses are allocated based on time, effort, and usage and have been distributed to the functional areas of Carnegie Hall (CH) as follows:

	Program							
	CH produced events and audience development	Hall operations	Real estate operations	Weill Music Institute education programs	Creative services, digital, and other	General and administration	Fund-raising	Total 2020
Salaries, wages and benefits	$ 8,922,789	14,380,614	4,541,929	4,133,817	2,200,458	8,250,108	4,049,229	46,478,944
Carnegie Hall Tower and rent expenses	—	—	9,475,270	—	—	—	—	9,475,270
Concert expenses	5,421,968	109,776	111,935	3,548,649	72,763	1,554	98,209	9,364,854
Advertising	—	—	—	—	—	3,124,291	—	3,124,291
Office expenses	199,442	838,190	299,016	315,950	61,052	339,588	327,405	2,380,643
Travel	214,042	8,554	5,070	2,103,681	6,260	75,648	42,236	2,455,491
Other operating expenses	430,411	621,202	2,122,107	1,228,533	280,779	721,434	1,113,192	6,517,658
Building operation costs	24,475	63,237	2,623,154	—	164	25,480	—	2,736,510
Professional services	316,864	7,101	1,248,502	501,805	1,037,725	2,142,553	203,941	5,458,491
Total operating expenses (excluding interest)	15,529,991	16,028,674	20,426,983	11,832,435	3,659,201	14,680,656	5,834,212	87,992,152
Interest	1,131,037	2,052,990	—	1,052,888	32,384	113,344	113,344	4,495,987
Total operating expenses	16,661,028	18,081,664	20,426,983	12,885,323	3,691,585	14,794,000	5,947,556	92,488,139
Depreciation and amortization	4,274,994	3,620,753	—	3,067,911	247,245	2,725,110	865,359	14,801,372
Pension nonservice cost	—	—	—	—	733,762	—	—	733,762
Total	$ 20,936,022	21,702,417	20,426,983	15,953,234	4,672,592	17,519,110	6,812,915	108,023,273

	Program							
	CH produced events and audience development	Hall operations	Real estate operations	Weill Music Institute education programs	Creative services, digital, and other	General and administration	Fund-raising	Total 2019
Salaries, wages and benefits	$ 8,297,995	17,737,932	4,515,264	3,836,369	2,142,400	8,330,159	3,605,501	48,465,620
Carnegie Hall Tower and rent expenses	—	—	9,520,785	—	—	—	—	9,520,785
Concert expenses	8,889,415	—	87,058	4,179,843	61,020	2,343	150,511	13,370,190
Advertising	—	—	—	—	—	4,243,853	—	4,243,853
Office expenses	298,859	1,011,418	369,222	447,465	75,547	420,826	443,154	3,066,491
Travel	521,547	10,396	4,861	2,290,304	4,952	62,558	60,192	2,954,810
Other operating expenses	1,064,452	1,070,318	2,093,393	1,131,741	592,648	885,153	1,464,464	8,302,169
Building operation costs	37,083	80,652	2,572,564	—	—	152,051	—	2,842,350
Professional services	251,246	29,343	1,105,379	558,335	889,425	2,346,303	271,708	5,451,739
Total operating expenses (excluding interest)	19,360,597	19,940,059	20,268,526	12,444,057	3,765,992	16,443,246	5,995,530	98,218,007
Interest	1,351,374	2,242,636	—	1,551,109	45,066	157,729	157,729	5,505,643
Total operating expenses	20,711,971	22,182,695	20,268,526	13,995,166	3,811,058	16,600,975	6,153,259	103,723,650
Depreciation and amortization	4,547,463	3,763,417	—	3,449,799	313,618	2,665,754	940,854	15,680,905
Pension nonservice cost	—	—	—	—	899,502	—	—	899,502
Total	$ 25,259,434	25,946,112	20,268,526	17,444,965	5,024,178	19,266,729	7,094,113	120,304,057

(9) Pension Plans

The Corporation has a defined-benefit pension plan for its administrative employees. Plan benefits are based on a participant's years of service, age, and average monthly compensation. The Corporation's funding policy is to contribute amounts to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Effective July 1, 2017, the plan was amended to freeze credited service that applies to the pre-July 1, 2017 benefit formula (Legacy benefit). Going forward, active participants each year will earn a new benefit to be paid in the form of a variable annuity (Sustainable Income Plan (SIP) benefit). At retirement, participants will receive all applicable benefits.

The following tables set forth the plan's financial information as of June 30, 2020 and 2019:

		2020	2019
Change in benefit obligation:			
Benefit obligation at beginning of year	$	52,185,939	45,405,901
Service cost		2,048,288	1,984,132
Interest cost		1,698,229	1,847,442
Actuarial loss		10,485,544	4,392,819
Benefits paid and estimated expenses		(167,577)	(1,444,355)
Benefit obligation at end of year		66,250,423	52,185,939
Change in plan assets:			
Fair value of plan assets at beginning of year		23,460,811	21,274,152
Actual return		1,292,206	1,181,017
Employer contributions		5,730,468	2,471,268
Benefits paid and actual expenses		(200,252)	(1,465,626)
Fair value of plan assets at end of year		30,283,233	23,460,811
Funded status	$	(35,967,190)	(28,725,128)

		2020	2019
Components of net periodic cost:			
Service cost	$	2,048,288	1,984,132
Interest cost		1,698,229	1,847,442
Expected return on plan assets		(1,617,656)	(1,393,402)
Other, net		653,189	445,462
Net periodic cost	$	2,782,050	2,883,634
Item not yet recognized as a component of net periodic benefit cost:			
Actuarial loss	$	10,190,480	4,181,013

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic benefit cost at June 30, 2020 and 2019 consist of actuarial losses of $23,487,137 and $13,296,657, respectively. In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2021 will include the amortization of the actuarial loss of $1,550,000.

The accumulated benefit obligation for the plan at June 30, 2020 and 2019 was $54,750,340 and $42,605,160, respectively.

	2020	2019
Weighted average assumptions used to determine benefit obligations:		
Discount rate	2.45 %	3.35 %
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	3.35 %	4.05 %
Expected return on plan assets	6.40	6.40
Rate of compensation increase	3.50	3.50

Carnegie Hall expects to contribute $2,971,000 to the plan in 2021. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2021	$ 6,580,000
2022	2,490,000
2023	2,216,000
2024	2,196,000
2025	1,047,000
2026–2030	13,094,000

The following tables present Carnegie Hall’s fair value hierarchy for plan assets, which are measured at fair value on a recurring basis, as of June 30, 2020 and 2019:

	2020			
	Fair value	Level 1	Level 2	Level 3
Cash equivalents	$ 546,201	546,201	—	—
Common stocks and exchange traded funds	19,675,468	19,675,468	—	—
Fixed income	5,067,021	5,067,021	—	—
Group annuity contract	4,994,543	—	—	4,994,543
	$ 30,283,233	25,288,690	—	4,994,543

	2019			
	Fair value	Level 1	Level 2	Level 3
Cash equivalents	$ 772,693	772,693	—	—
Common stocks	2,729,687	2,729,687	—	—
Mutual funds and exchange traded funds	15,079,060	15,079,060		
Group annuity contract	4,879,371	—	—	4,879,371
	$ 23,460,811	18,581,440	—	4,879,371

Activity with respect to Level 3 plan assets for the years ended June 30, 2020 and 2019 was as follows:

	2020	2019
Balance at beginning of year	$ 4,879,371	6,060,698
Sales	(50,147)	(1,351,490)
Interest earned	165,319	170,163
Balance at end of year	$ 4,994,543	4,879,371

Carnegie Hall participates in a multiemployer union pension plan, the Pension Fund of Local No. One, I.A.T.S.E. The Employer Identification Number is 13-6414973 and the three-digit Pension Plan number is 001. The most recent Pension Protection Act (PPA) zone status is green at December 31, 2019 and 2018, which is for the plan years ended December 31, 2019 and 2018. The zone status is based on information that Carnegie Hall received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The expiration date of the collective bargaining agreement requiring contributions to the plan is August 31, 2021. The contributions by Carnegie Hall to the union pension fund were $304,871 and $418,795 for the years ended June 30, 2020 and 2019, respectively.

Carnegie Hall further participates in six other multiemployer plans, the amounts of which are immaterial to the financial statements.

(10) Related Party Transactions

Organizations affiliated with members of the Board of Trustees of Carnegie Hall provide services to the Corporation. The arrangements for these services are negotiated on an arm's-length basis and are reviewed by the Governance Committee of the Board of Trustees in accordance with applicable law.

(11) Net Assets

The composition of net assets with donor restrictions as of June 30, 2020 and 2019 is as follows:

	2020	2019
Artistic and educational programs	$ 35,195,890	38,918,914
Annual fund – time restrictions	28,046,919	25,940,753
Endowment appreciation not appropriated for expenditure	98,937,259	109,297,044
Endowment corpus	193,727,679	193,684,114
	$ 355,907,747	367,840,825

Carnegie Hall's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Carnegie Hall has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification Section 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund to be classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. In fiscal years 2020 and 2019, Carnegie Hall had a spending policy of appropriating for distribution 6% and 5%, respectively, of the endowment funds' average ending balance of the preceding 20 quarters through the calendar year preceding the fiscal year in which the distribution is planned.

Carnegie Hall's primary investment objective is to earn a reasonable rate of return while preserving capital over a market cycle. Specifically, Carnegie Hall seeks to attain an average annual total return net of investment management fees that is higher than the sum of the spending rate plus inflation. Investments are to be adequately diversified in order to reduce risk, or volatility, of overall performance results from year-to-year and to take advantage of various investment opportunities. The Investment Committee of the Board of Trustees has adopted strategic asset allocation targets for equities, alternative investments, private investments (including real estate) and fixed income, while reserving the right to authorize investments in other asset classes.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the original historic dollar value. This deficiency typically results from unfavorable market fluctuations subsequent to the investment of endowment contributions and recorded in net assets with donor restrictions. There was one such donor-restricted endowment fund with a fair value of $4,656,544 and $4,815,785 at June 30, 2020 and 2019, respectively, and an original historic value of $5,000,000. The donor agreement permits the application of the spending policy on the underwater fund.

(Continued)

Carnegie Hall's endowment consists of both donor-restricted endowments and those amounts designated by the board to function as endowment. Endowment net assets consist of the following at June 30, 2020 and 2019:

		With donor restrictions		
	Without donor restrictions	**Original gift**	**Accumulated gains**	**Total**
2020:				
Donor restricted	$ —	193,727,679	98,937,259	292,664,938
Board designated	7,129,715	—	—	7,129,715
Balance at June 30, 2020	$ 7,129,715	193,727,679	98,937,259	299,794,653

		With donor restrictions		
	Without donor restrictions	**Original gift**	**Accumulated gains**	**Total**
2019:				
Donor restricted	$ —	193,684,114	109,297,044	302,981,158
Board designated	7,373,084	—	—	7,373,084
Balance at June 30, 2019	$ 7,373,084	193,684,114	109,297,044	310,354,242

The following table presents the changes in endowment net assets for the years ended June 30, 2020 and 2019:

		With donor restrictions		
	Without donor restrictions	**Original gift**	**Accumulated gains**	**Total**
Balance at June 30, 2018	$ 7,544,773	193,134,467	116,794,664	317,473,904
Investment gain, net	195,068	—	7,610,623	7,805,691
Endowment spending	(366,757)	—	(15,108,243)	(15,475,000)
Contributions	—	549,647	—	549,647
Balance at June 30, 2019	7,373,084	193,684,114	109,297,044	310,354,242
Investment gain, net	205,011	—	8,110,835	8,315,846
Endowment spending	(448,380)	—	(18,470,620)	(18,919,000)
Contributions	—	43,565	—	43,565
Balance at June 30, 2020	$ 7,129,715	193,727,679	98,937,259	299,794,653

(12) COVID-19 Related

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This outbreak has severely restricted the level of economic activity around the world and has disrupted business in every sector of the economy. In response to this outbreak, New York state has imposed restrictions on business operations and as a result public in-person concerts at Carnegie Hall have been cancelled since March 13, 2020. On October 29, 2020, Carnegie Hall announced cancellation of public in-person concerts through April 5, 2021. While this disruption is expected to be temporary, there is uncertainty regarding the duration of the closings, any restrictions relating to reopening, the comfort level of concert goers to return to the music venue and the impact on other sources of revenue such as donations, sale of tickets, and hall rental income. To mitigate the loss of revenue, Carnegie Hall has instituted cost reduction measures. Furthermore, Carnegie Hall continues to update its financial forecast for the upcoming fiscal year to reflect best estimates. Carnegie Hall believes it will maintain compliance to its debt covenants and meet its obligations as they become due.