KPMG

THE CARNEGIE HALL CORPORATION

Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020, 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 U.S. generally accepted accounting principles; 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, 2021 and 2020, 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 4, 2021

THE CARNEGIE HALL CORPORATION

Balance Sheets

June 30, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	33,180,394	45,597,756
Contributions receivable, net (note 5)		50,743,688	52,717,855
Prepaid expenses and other assets (note 2)		2,654,658	1,805,844
Right-of-use-assets (note 6)		7,449,981	—
Investments (note 2)		394,689,124	321,235,768
Fixed assets, net (note 3)		229,423,936	234,080,947
Total assets	$	718,141,781	655,438,170
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	7,334,391	10,273,140
Advance sale of tickets and other deferred revenue		7,621,479	11,513,099
Accrued pension benefit obligation (note 9)		25,993,797	35,967,190
Lease liability (note 6)		7,449,981	—
Loans payable (note 7)		136,988,107	139,874,271
Total liabilities		185,387,755	197,627,700
Net assets (note 11):			
Without donor restrictions		111,714,679	101,902,723
With donor restrictions		421,039,347	355,907,747
Total net assets		532,754,026	457,810,470
Total liabilities and net assets	$	718,141,781	655,438,170

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Activities

Years ended June 30, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions:		
Revenues:		
Earned revenue:		
Box office receipts from Carnegie Hall produced events	$ —	9,621,185
Hall rental operations	774,314	10,486,067
Real estate operations and other (note 6)	15,819,686	15,643,929
Total earned revenue	16,594,000	35,751,181
Contributed income:		
Annual campaign and fund-raising events	12,657,895	14,349,484
The City of New York and other government agency grants	4,351,557	487,029
Net assets released from restrictions:		
Satisfaction of donor restrictions	25,217,042	22,175,996
Total contributed revenue	42,226,494	37,012,509
Investment income:		
Endowment support released from restriction/authorized for spending (note 11)	15,603,810	18,919,000
Other investment (loss) income (note 2)	(16,156)	566,734
Total operating investment income	15,587,654	19,485,734
Total operating revenues	74,408,148	92,249,424
Expenses and losses (note 8):		
Carnegie Hall produced events and audience development	9,275,571	15,529,991
Hall operations	4,605,645	16,028,674
Real estate operations (note 6)	17,688,352	20,426,983
Weill Music Institute education programs	7,599,265	11,832,435
Creative services, digital, and other	3,197,620	3,659,201
General and administrative	11,873,701	14,680,656
Fund-raising expenses	5,231,568	5,834,212
Loss on refunding of bond (note 7)	—	1,250,542
Interest expense (note 7)	2,777,826	4,495,987
Total expenses and losses	62,249,548	93,738,681
Excess (deficiency) of operating revenues over expenses	12,158,600	(1,489,257)
Nonoperating:		
Depreciation and amortization expense (note 8)	(14,055,086)	(14,801,372)
Investment return, net (note 2)	2,230,396	205,011
Endowment spending transfer (note 11)	(448,404)	(448,380)
Pension nonservice cost (notes 8 and 9)	(1,095,689)	(733,762)
Gain (loss) not yet recognized as a component of net periodic benefit cost (note 9)	11,022,139	(10,190,480)
Increase (decrease) in net assets without donor restrictions	9,811,956	(27,458,240)
Change in net assets with donor restrictions:		
Contributions	12,670,750	18,453,049
The City of New York and other government agency grants	2,063,999	1,771,675
Investment return, net (note 2)	91,879,124	8,445,249
Endowment campaign contributions (note 11)	7,500	43,565
Other	(1,117,325)	—
Net assets released from restrictions:		
Satisfaction of donor restrictions	(25,217,042)	(22,175,996)
Endowment support (note 11)	(18,510,596)	(18,470,620)
Endowment draw/restricted funds to be used in future years	3,355,190	—
Increase (decrease) in net assets with donor restrictions	65,131,600	(11,933,078)
Increase (decrease) in net assets	74,943,556	(39,391,318)
Net assets at beginning of year	457,810,470	497,201,788
Net assets at end of year	$ 532,754,026	457,810,470

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 74,943,556	(39,391,318)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	14,055,086	14,801,372
(Gain) loss not yet recognized as a component of net periodic benefit cost	(11,022,139)	10,190,480
Amortization of bond (premium) discount and issuance costs	(1,686,164)	(1,371,524)
Loss on refunding of bonds	—	1,250,542
Realized and unrealized gains on investments	(93,630,996)	(7,005,637)
Endowment contributions	(7,500)	(43,565)
Other charges	1,117,325	—
Changes in assets and liabilities:		
Contributions receivable, less amounts classified as financing activities	856,842	9,152,296
Prepaid expenses and other assets	(848,814)	1,127,871
Right-of-use-assets	(7,449,981)	—
Accrued pension benefit obligation	1,048,746	(2,948,418)
Lease liability	7,449,981	—
Other operating liability accounts	(6,830,369)	(1,607,284)
Net cash used in operating activities	(22,004,427)	(15,845,185)
Cash flows from investing activities:		
Purchases of investments	(140,150,031)	(274,771,085)
Proceeds from sale of investments	172,520,724	293,680,781
Purchase of fixed assets	(9,398,075)	(6,334,732)
Net cash provided by investing activities	22,972,618	12,574,964
Cash flows from financing activities:		
Proceeds from endowment and capital contributions	7,500	67,293
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)
2019 bond principal payment	(1,200,000)	—
Net cash (used in) provided by financing activities	(1,192,500)	31,339,141
Net (decrease) increase in cash, cash equivalents, and restricted cash	(224,309)	28,068,920
Cash, cash equivalents, and restricted cash at beginning of year	45,597,756	17,528,836
Cash, cash equivalents, and restricted cash at end of year	$ 45,373,447	45,597,756
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the amount above:		
Cash and cash equivalents	$ 33,180,394	45,597,756
Restricted cash included in investments	12,193,053	—
Total cash, cash equivalents, and restricted cash shown above	$ 45,373,447	45,597,756

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 are 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 or published 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. Estimates made in preparation of the financial statements include the valuation of alternative investments, net realizable value of contributions receivable and valuation of pension benefit obligation. Actual results could differ from those estimates.

(f) New Accounting Pronouncements

In 2021, Carnegie Hall adopted Accounting Standards Update (ASU) No. 2016-02, *Leases,* which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. It also requires lessors to classify leases as sales-type, direct financing, or operating leases. Carnegie Hall elected not to restate the comparative period, applying the Comparatives under 840 option. As a result of implementing ASU No. 2016-02, Carnegie Hall recognized right-of-use assets of $7,513,367 and lease liabilities totaling $7,513,367 in its balance sheet as of July 1, 2020. The adoption did not result in a material impact to the statement of activities for the year ended June 30, 2021.

(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 $3.4 million and $5.8 million as of June 30, 2021 and 2020, 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. Such amounts were approximately $2.9 million and $3.9 million as of June 30, 2021 and 2020, respectively, and will be recognized as revenue in the subsequent periods.

In response to COVID-19, Carnegie Hall cancelled in-house concerts and hall rental operations starting March 13, 2020 through June 30, 2021. 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) Subsequent Events

In connection with the preparation of the financial statements, Carnegie Hall evaluated subsequent events after the balance sheet date of June 30, 2021 through November 4, 2021, 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 notes 7 and 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, 2021:

	Fair value	Level 1
Fixed income:		
Short-term duration	$ 40,819,781	40,819,781
U.S. Treasury and agencies	13,065,062	13,065,062
Equities:		
Domestic and foreign	126,728,181	126,728,181
	180,613,024	$ 180,613,024
Investments reported at net asset value	214,076,100	
Total investments	$ 394,689,124	

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		

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, 2021 and 2020:

		June 30, 2021					
			Liquidity				
		Fair value	Monthly/ quarterly	Semiannual	Annual	Greater than one year	Outstanding commitments
Equities:							
Domestic	$	20,260,608	—	—	—	20,260,608	—
Event driven		32,192,828	—	32,062,851	—	129,977	—
Sector long/short		82,730,793	61,253,110	21,477,683	—	—	—
Foreign		8,920,611	8,801,499	—	—	119,112	—
Alternative investments:							
Global long/short debt/equity funds		9,125,199	8,582,894	—	—	542,305	—
Distressed debt hedge funds		17,316,351	14,473,669	2,815,422	—	27,260	—
Multi-strategy hedge funds		18,119,600	18,049,770	—	—	69,830	—
Real estate		4,624,608	—	—	—	4,624,608	—
Private equity		20,785,502	—	—	—	20,785,502	14,746,678
	$	214,076,100	111,160,942	56,355,956	—	46,559,202	14,746,678

	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

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, 2021. At June 30, 2021, Carnegie Hall had commitments of approximately $14.7 million relating to private equity 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, 2021, 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, 2021 and at June 30, 2020 are invested in cash, which is considered Level 1 within the fair value hierarchy.

In 2021 and 2020, investment return includes the following components:

	2021	2020
Interest and dividends, net of fees	$ 462,368	2,211,357
Realized and unrealized gains	93,630,996	7,005,637
	$ 94,093,364	9,216,994

(3) Fixed Assets

Fixed assets are recorded at cost and consist of the following at June 30, 2021 and 2020:

	2021	2020
Leasehold improvements	$ 342,293,087	342,935,446
Building	8,400,000	8,400,000
Furniture and equipment	5,266,409	6,633,892
	355,959,496	357,969,338
Less accumulated depreciation and amortization	(126,535,560)	(123,888,391)
	$ 229,423,936	234,080,947

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 3 to 5 years.

During fiscal year ended June 30, 2021, Carnegie Hall disposed of fixed assets with a cost of $11,408,146 and accumulated depreciation of $11,407,917, resulting in a loss of $229. During fiscal year ended June 30, 2020, Carnegie Hall disposed of fixed assets with a cost of $15,766,168 and accumulated depreciation of $15,766,168.

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 ended June 30, 2021 and 2020.

(4) Liquidity and Availability

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capital were as follows:

	2021	2020
Cash and cash equivalents	$ 33,180,394	45,597,756
Contributions receivable, net	50,743,688	52,717,855
Investments	394,689,124	321,235,768
Total financial assets	478,613,206	419,551,379
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Receivables greater than one year	(23,382,538)	(37,395,526)
Endowments with donor restrictions	(366,035,933)	(292,664,938)
Endowments without donor restrictions	(8,911,707)	(7,129,715)
Other donor restricted funds	(7,469,631)	(9,663,611)
Total amounts unavailable for general expenditures within one year	(405,799,809)	(346,853,790)
Plus:		
Annual endowment support and other spending	21,307,000	21,619,000
Total financial assets and liquidity resources available within one year	$ 94,120,397	94,316,589

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.

(5) Contributions

Contributions receivable at June 30, 2021 and 2020 are scheduled to be collected as follows:

		2021	2020
Less than one year	$	27,361,150	15,322,329
One to five years		25,023,980	38,909,725
Greater than five years		400,000	1,925,000
		52,785,130	56,157,054
Allowance for uncollectible contributions receivable		(105,000)	(85,000)
Adjustment to reflect contributions receivable at discounted value (at rates ranging from 3% to 4%)		(1,936,442)	(3,354,199)
	$	50,743,688	52,717,855

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 67% and 69% of gross contributions receivable as of June 30, 2021 and 2020, respectively.

Fund-raising expenses, exclusive of depreciation, reflected in the accompanying financial statements of $5,231,568 and $5,834,212 have been incurred to raise contributions and grants, including contributions with donor restrictions, totaling $31,751,701 and $35,104,802 in 2021 and 2020, 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:			
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
2026		8,549,276	12,213,252

The Tower Property subrental revenue for the years ended June 30, 2021 and 2020 amounted to $13,252,886 and $13,273,814, respectively. The Tower Property rent expense paid to the City of New York for the years ended June 30, 2021 and 2020 amounted to $9,277,021 and $9,291,670, respectively.

As noted in note 1(f), the Corporation adopted ASU 2016-02, *Leases* (Topic 842) effective July 1, 2020 using the optional modified retrospective transition method; accordingly, the comparative information as of June 30, 2020 has not been adjusted and continues to be reported under the previous lease standard. Under the new lease standard, right of use assets and operating lease liabilities that arise from all leases are required to be recognized on the balance sheet for lessees. Previously, only capital leases, which are now referred to as finance leases, were recorded on the balance sheet. The Corporation has an operating lease related to office space and performance venue and the remaining lease term is 67 years. The lease liabilities are initially and subsequently measured at the present value of the remaining lease payments. The Corporation elected to use an adjusted risk-free rate, the interest rate for treasury bills of a duration similar to the lease term, as the discount rate. The Corporation used a rate of 1.6% to determine the present value of the lease payments.

For the year ended June 30, 2021 and 2020, lease expense was $183,600.

The Corporation has elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

The following table summarizes the maturity of the Corporation's operating lease liability as of June 30, 2021.

Year ending June 30:		
2022	$	7,385,580
2023		7,320,149
2024		7,253,672
2025		7,186,130
2026		7,117,508

(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 outstanding balance on the Series 2019 Revenue Bonds at June 30, 2021 and 2020 were $86,340,000 and $87,540,000 respectively.

The interest on the Series 2019 bonds is fixed at 5% and is payable each December 1 and June 1. Loan principal repayments commenced in 2020 with the first payment of $1,200,000 due on December 1, 2020. Interest expense for the years ended June 30, 2021 and June 30, 2020 was $2,581,015 and $2,139,274, respectively. Carnegie Hall is in compliance with the requirements of the loan documents.

As of June 30, 2021, the Series 2019 Revenue Bonds had an unamortized bond premium and unamortized issuance costs of $21,023,887 and $893,280 respectively, included in loans payable in the accompanying balance sheet.

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 year ended June 30, 2020 was $2,264,760. Series 2009 Revenue Bonds unamortized issuance costs of $1,096,797 and unamortized bond discount of $153,745 were written off in December 2019.

		Principal		Interest	Total
Year(s) ending June 30:					
2022	$	1,435,000		4,275,146	5,710,146
2023		1,680,000		4,196,250	5,876,250
2024		1,940,000		4,104,667	6,044,667
2025		2,220,000		3,999,500	6,219,500
2026		2,520,000		3,879,750	6,399,750
Thereafter		76,545,000		31,382,688	107,927,688
		86,340,000	$	51,838,001	138,178,001
Plus: Outstanding unamortized premium		21,023,887			
Less: Outstanding unamortized bond issuance costs		(893,280)			
	$	106,470,607			

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, 2021 and June 30, 2020 were $25,000,000 and $25,000,000, 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 0.47% to 0.49% at June 30, 2021. The fixed fee rate on the unused balance was 0.08% at June 30, 2021 and 2020. Interest and fees expensed on the lines of credit for the years ended June 30, 2021 and 2020 were $196,811 and $91,953, respectively. The line of credit agreement requires Carnegie Hall to meet certain financial covenants. At June 30, 2021, 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, 2021. Carnegie Hall applied for loan forgiveness in March 2021 and the loan and interest was forgiven in July 2021.

(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 years ended June 30, 2021 and 2020.

(Continued)

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 2021
Salaries, wages and benefits	$ 7,885,359	4,368,599	2,820,672	3,500,731	1,708,290	7,210,002	3,588,538	31,082,191
Carnegie Hall Tower and rent expenses	—	—	9,460,621	—	—	—	—	9,460,621
Concert expenses	296,155	—	—	1,989,231	340,205	346	834,180	3,460,117
Advertising	—	—	—	—	—	1,389,546	—	1,389,546
Office expenses	42,788	148,027	101,283	107,600	35,576	213,544	216,240	865,058
Travel	8,431	333	11,075	19,213	—	6,462	5,901	51,415
Other operating expenses	534,599	68,250	2,132,778	1,624,329	200,737	843,226	472,652	5,876,571
Building operation costs	10,450	8,015	2,276,711	3,125	—	89,560	—	2,387,861
Professional services	497,789	12,421	885,212	355,036	912,812	2,121,015	114,057	4,898,342
Total operating expenses (excluding interest)	9,275,571	4,605,645	17,688,352	7,599,265	3,197,620	11,873,701	5,231,568	59,471,722
Interest	724,419	596,701	—	1,116,659	42,506	148,770	148,771	2,777,826
Total operating expenses	9,999,990	5,202,346	17,688,352	8,715,924	3,240,126	12,022,471	5,380,339	62,249,548
Depreciation and amortization	4,112,910	3,608,470	—	2,785,050	234,061	2,495,380	819,215	14,055,086
Pension nonservice cost	—	—	—	—	1,095,689	—	—	1,095,689
Other	—	—	—	—	—	—	1,117,325	1,117,325
Total	$ 14,112,900	8,810,816	17,688,352	11,500,974	4,569,876	14,517,851	7,316,879	78,517,648

	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

(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, 2021 and 2020:

		2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$	66,250,423	52,185,939
Service cost		2,367,060	2,048,288
Interest cost		1,546,924	1,698,229
Actuarial (gain) loss		(3,939,480)	10,485,544
Benefits paid and estimated expenses		(1,914,511)	(167,577)
Benefit obligation at end of year		64,310,416	66,250,423
Change in plan assets:			
Fair value of plan assets at beginning of year		30,283,233	23,460,811
Actual return		7,603,252	1,292,206
Employer contributions		2,414,003	5,730,468
Benefits paid and actual expenses		(1,983,869)	(200,252)
Fair value of plan assets at end of year		38,316,619	30,283,233
Funded status	$	(25,993,797)	(35,967,190)

		2021	2020
Components of net periodic cost:			
Service cost	$	2,367,060	2,048,288
Interest cost		1,546,924	1,698,229
Expected return on plan assets		(1,780,254)	(1,617,656)
Other, net		1,329,019	653,189
Net periodic cost	$	3,462,749	2,782,050
Item not yet recognized as a component of net periodic benefit cost:			
Actuarial (gain) loss	$	(11,022,139)	10,190,480

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic benefit cost at June 30, 2021 and 2020 consist of actuarial losses of $12,464,998 and $23,487,137, respectively. In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2022 will include the amortization of the actuarial loss of $550,000.

The accumulated benefit obligation for the plan at June 30, 2021 and 2020 was $55,873,399 and $54,750,340, respectively.

	2021	2020
Weighted average assumptions used to determine benefit obligations:		
Discount rate	2.65 %	2.45 %
Rate of compensation increase	Graded	3.50
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	2.45 %	3.35 %
Expected return on plan assets	5.80	6.40
Rate of compensation increase	Graded	3.50

Carnegie Hall expects to contribute $2,281,000 to the plan in 2022. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2022	$ 7,356,000
2023	2,185,000
2024	2,140,000
2025	1,150,000
2026	1,662,000
2027–2031	14,645,000

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, 2021 and 2020:

	2021			
	Fair value	Level 1	Level 2	Level 3
Cash equivalents	$ 624,076	624,076	—	—
Common stocks and exchange traded funds	26,461,153	26,461,153	—	—
Fixed income	7,873,111	7,873,111	—	—
Group annuity contract	3,358,279	—	—	3,358,279
	$ 38,316,619	34,958,340	—	3,358,279

	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

Activity with respect to Level 3 plan assets for the years ended June 30, 2021 and 2020 was as follows:

		2021	**2020**
Balance at beginning of year	$	4,994,543	4,879,371
Sales		(1,762,643)	(50,147)
Interest earned		126,379	165,319
Balance at end of year	$	3,358,279	4,994,543

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, 2020 and 2019, which is for the plan years ended December 31, 2020 and 2019. 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, 2022. The contributions by Carnegie Hall to the union pension fund were $16,570 and $304,871 for the years ended June 30, 2021 and 2020, 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.

(Continued)

(11) Net Assets

The composition of net assets with donor restrictions as of June 30, 2021 and 2020 is as follows:

		2021	**2020**
Artistic and educational programs	$	30,685,352	35,195,890
Annual fund – time restrictions		24,318,062	28,046,919
Endowment appreciation not appropriated for expenditure		172,300,754	98,937,259
Endowment corpus		193,735,179	193,727,679
	$	421,039,347	355,907,747

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 2021 and 2020, Carnegie Hall had a spending policy of appropriating for distribution 6% 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 at June 30, 2020 and an original historic value of $5,000,000. The fair value of this endowment fund was $5,813,226 at June 30, 2021. The donor agreement permits the application of the spending policy on the underwater fund.

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, 2021 and 2020:

		With donor restrictions		
	Without donor restrictions	**Original gift**	**Accumulated gains**	**Total**
2021:				
Donor restricted	$ —	193,735,179	172,300,754	366,035,933
Board designated	8,911,707	—	—	8,911,707
Balance at June 30, 2021	$ 8,911,707	193,735,179	172,300,754	374,947,640

		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

The following table presents the changes in endowment net assets for the years ended June 30, 2021 and 2020:

		With donor restrictions		
	Without donor restrictions	**Original gift**	**Accumulated gains**	**Total**
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
Investment gain, net	2,230,396	—	91,874,091	94,104,487
Endowment spending	(448,404)	—	(18,510,596)	(18,959,000)
Contributions	—	7,500	—	7,500
Balance at June 30, 2021	$ 8,911,707	193,735,179	172,300,754	374,947,640

(12) COVID-19 Related

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID 19, as a pandemic. This outbreak severely restricted the level of economic activity around the world and disrupted business in every sector of the economy. In response to this outbreak, New York state imposed restrictions on business operations and public in-person concerts at Carnegie Hall were cancelled from March 13, 2020 through June 30, 2021. To mitigate the loss of revenue, Carnegie Hall instituted cost reduction measures and applied for government relief funding through Shuttered Venue Operators Grant (SVOG) program and the Employee Retention Tax Credit (ERTC). Carnegie Hall received $10 million through the SVOG program in July 2021 and filed for approximately $3.9 million in ERTC in 2021. Carnegie Hall has maintained compliance with its debt covenants and met its obligations as they became due.