KPMG

THE CARNEGIE HALL CORPORATION

Financial Statements

June 30, 2022 and 2021

(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:

Opinion

We have audited the financial statements of The Carnegie Hall Corporation (the Corporation), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

New York, New York
November 7, 2022

THE CARNEGIE HALL CORPORATION

Balance Sheets

June 30, 2022 and 2021

Assets		**2022**	**2021**
Cash and cash equivalents	$	32,326,004	33,180,394
Contributions receivable, net (note 5)		42,625,652	50,743,688
Prepaid expenses and other assets (note 2)		3,131,613	2,654,658
Right-of-use-assets (note 6)		7,385,580	7,449,981
Investments (note 2)		314,048,943	394,689,124
Fixed assets, net (note 3)		225,185,372	229,423,936
Total assets	$	624,703,164	718,141,781
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	15,585,965	7,334,391
Advance sale of tickets and other deferred revenue		12,692,685	7,621,479
Accrued pension benefit obligation (note 9)		20,517,982	25,993,797
Lease liability (note 6)		7,385,580	7,449,981
Loans payable (note 7)		103,375,406	136,988,107
Total liabilities		159,557,618	185,387,755
Net assets (note 11):			
Without donor restrictions		125,299,573	111,714,679
With donor restrictions		339,845,973	421,039,347
Total net assets		465,145,546	532,754,026
Total liabilities and net assets	$	624,703,164	718,141,781

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Activities

Years ended June 30, 2022 and 2021

	2022	2021
Change in net assets without donor restrictions:		
Revenues:		
Earned revenue:		
Box office receipts from Carnegie Hall produced events	$ 11,713,779	—
Hall rental operations	12,133,606	774,314
Real estate operations and other (note 6)	15,651,418	15,819,686
Total earned revenue	39,498,803	16,594,000
Contributed income:		
Annual campaign and fund-raising events	14,393,483	12,657,895
The City of New York and other government agency grants	12,271,599	4,351,557
Net assets released from restrictions:		
Satisfaction of donor restrictions	32,020,875	25,217,042
Total contributed revenue	58,685,957	42,226,494
Investment income:		
Endowment support released from restriction/authorized for spending (note 11)	19,008,185	15,603,810
Other investment loss (note 2)	(15,200)	(16,156)
Total operating investment income	18,992,985	15,587,654
Total operating revenues	117,177,745	74,408,148
Expenses (note 8):		
Carnegie Hall produced events and audience development	19,481,575	9,275,571
Hall operations	17,025,080	4,605,645
Real estate operations (note 6)	20,012,233	17,688,352
Weill Music Institute education programs	11,060,734	7,599,265
Creative services, digital, and other	4,207,045	3,197,620
General and administrative	17,785,195	11,873,701
Fund-raising expenses	6,680,844	5,231,568
Interest expense (note 7)	2,581,820	2,777,826
Total expenses	98,834,526	62,249,548
Excess of operating revenues over expenses	18,343,219	12,158,600
Nonoperating:		
Depreciation and amortization expense (note 8)	(13,954,089)	(14,055,086)
Investment (loss) return, net (note 2)	(1,420,625)	2,230,396
Endowment support (note 11)	(453,571)	(448,404)
Pension nonservice cost (notes 8 and 9)	12,662	(1,095,689)
Forgiveness of PPP loan (note 7)	5,585,549	—
Gain not yet recognized as a component of net periodic benefit cost (note 9)	5,471,749	11,022,139
Increase in net assets without donor restrictions	13,584,894	9,811,956
Change in net assets with donor restrictions:		
Contributions	21,279,272	12,670,750
The City of New York and other government agency grants	1,505,733	2,063,999
Investment (loss) return, net (note 2)	(58,521,342)	91,879,124
Endowment campaign contributions (note 11)	5,118,452	7,500
Other	—	(1,117,325)
Net assets released from restrictions:		
Satisfaction of donor restrictions	(32,020,875)	(25,217,042)
Endowment support (note 11)	(18,684,429)	(18,510,596)
Endowment draw/restricted funds to be used in future years	129,815	3,355,190
(Decrease) increase in net assets with donor restrictions	(81,193,374)	65,131,600
(Decrease) increase in net assets	(67,608,480)	74,943,556
Net assets at beginning of year	532,754,026	457,810,470
Net assets at end of year	$ 465,145,546	532,754,026

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(67,608,480)	74,943,556
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		13,954,089	14,055,086
(Gain) not yet recognized as a component of net periodic benefit cost		(5,471,749)	(11,022,139)
Amortization of bond (premium) discount and issuance costs		(1,660,201)	(1,686,164)
Realized and unrealized losses (gains) on investments		60,101,508	(93,630,996)
Endowment contributions		(5,118,452)	(7,500)
Forgiveness of PPP loan		(5,517,500)	—
Other charges		—	1,117,325
Changes in assets and liabilities:			
Contributions receivable, less amounts classified as financing activities		13,118,036	856,842
Prepaid expenses and other assets		(476,955)	(848,814)
Right-of-use-assets		64,401	(7,449,981)
Accrued pension benefit obligation		(4,066)	1,048,746
Lease liability		(64,401)	7,449,981
Other operating liability accounts		13,322,780	(6,830,369)
Net cash provided by (used in) operating activities		14,639,010	(22,004,427)
Cash flows from investing activities:			
Purchases of investments		(173,194,271)	(140,150,031)
Proceeds from sale of investments		182,564,612	172,520,724
Purchase of fixed assets		(9,715,525)	(9,398,075)
Net cash (used in) provided by investing activities		(345,184)	22,972,618
Cash flows from financing activities:			
Proceeds from endowment and capital contributions		118,452	7,500
Payment on line of credit		(25,000,000)	—
2019 bond principal payment		(1,435,000)	(1,200,000)
Net cash used in financing activities		(26,316,548)	(1,192,500)
Net decrease in cash, cash equivalents, and restricted cash		(12,022,722)	(224,309)
Cash, cash equivalents, and restricted cash at beginning of year		45,373,447	45,597,756
Cash, cash equivalents, and restricted cash at end of year	$	33,350,725	45,373,447
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	$	32,326,004	33,180,394
Restricted cash included in investments		1,024,721	12,193,053
Total cash, cash equivalents, and restricted cash shown above	$	33,350,725	45,373,447

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) 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 $6.5 million and $3.8 million as of June 30, 2022 and 2021, 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 $5.0 million and $2.9 million as of June 30, 2022 and 2021, respectively, and will be recognized as revenue in the subsequent periods.

(g) Contributions

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

(Continued)

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.

(h) Carnegie Hall +

Carnegie Hall has a fifty percent interest in Carnegie Hall+, a joint venture with Music to Watch. Carnegie Hall+ is a Subscription Video on Demand (SVOD) channel that began operations in December 2021.

(i) New Accounting Pronouncements

During 2022, Carnegie Hall adopted ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to Disclosure Requirements for Defined Benefit Plans,* which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The adoption did not have a significant impact on the financial statements.

(j) Subsequent Events

In connection with the preparation of the financial statements, Carnegie Hall evaluated subsequent events after the balance sheet date of June 30, 2022 through November 7, 2022, which was the date the financial statements were issued. Carnegie Hall determined that there are no additional subsequent events to disclose.

(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, 2022:

		Fair value		Level 1
Fixed income:				
Short-term duration	$	37,303,482		37,303,482
U.S. Treasury and agencies		11,303,876		11,303,876
Equities:				
Domestic and foreign		91,062,638		91,062,638
		139,669,996	$	139,669,996
Investments reported at net asset value		174,378,947		
Total investments	$	314,048,943		

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		

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, 2022 and 2021:

	June 30, 2022					
		Liquidity				
	Fair value	Monthly/ quarterly	Semiannual	Annual	Greater than one year/no redemption	Outstanding commitments
Equities:						
Domestic	$ 12,576,550	—	—	12,576,550	—	—
Event driven	31,108,265	—	31,108,265	—	—	—
Sector long/short	54,159,588	37,166,500	16,889,228	—	103,860	—
Foreign	65,556	—	—	—	65,556	—
Alternative investments:						
Global long/short debt/equity funds	7,758,944	7,294,199	—	—	464,745	—
Distressed debt hedge funds	16,286,882	13,312,785	2,940,268	—	33,829	—
Multi-strategy hedge funds	18,197,383	18,143,117	—	—	54,266	—
Real estate	5,673,080	—	—	—	5,673,080	—
Private equity	28,552,699	—	—	—	28,552,699	22,506,188
	$ 174,378,947	75,916,601	50,937,761	12,576,550	34,948,035	22,506,188

	June 30, 2021					
		Liquidity				
	Fair value	Monthly/ quarterly	Semiannual	Annual	Greater than one year/no redemption	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

For investments with monthly, quarterly, semiannual, and annual redemptions, the notice periods for redemptions range from approximately 10 to 120 days as of June 30, 2022. At June 30, 2022, Carnegie Hall had commitments of approximately $22.5 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, 2022, Carnegie Hall's investments in private equity and real estate investments had remaining lives of 1 to 5 years.

(Continued)

Funds held by trustee included in prepaid expenses and other assets, totaling $6,950 at June 30, 2022 and at June 30, 2021 are invested in cash, which is considered Level 1 within the fair value hierarchy.

In 2022 and 2021, investment return (loss) includes the following components:

	2022	2021
Interest and dividends, net of fees	$ 144,341	462,368
Realized and unrealized (losses) gains	(60,101,508)	93,630,996
	$ (59,957,167)	94,093,364

(3) Fixed Assets

Fixed assets are recorded at cost and consist of the following at June 30, 2022 and 2021:

	2022	2021
Leasehold improvements	$ 344,678,265	342,293,087
Construction in progress	2,573,011	—
Building	8,400,000	8,400,000
Furniture and equipment	4,692,143	5,266,409
	360,343,419	355,959,496
Less accumulated depreciation and amortization	(135,158,047)	(126,535,560)
	$ 225,185,372	229,423,936

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.

In FY22, Carnegie Hall commenced the Historic Façade Restoration Project, which is expected to be completed by December 2024. Project costs are estimated to be $43 million. Carnegie Hall has outstanding commitments in the amount of approximately $21 million related to the project at June 30, 2022.

During fiscal year ended June 30, 2022, Carnegie Hall disposed of fixed assets with a cost of $5,331,602 and accumulated depreciation of $5,331,602. 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.

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, 2022 and 2021.

(4) Liquidity and Availability

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capital were as follows:

	2022	2021
Cash and cash equivalents	$ 32,326,004	33,180,394
Contributions receivable, net	42,625,652	50,743,688
Investments	314,048,943	394,689,124
Total financial assets	389,000,599	478,613,206
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Receivables greater than one year	(22,141,567)	(23,382,538)
Endowments with donor restrictions	(294,004,143)	(366,035,933)
Endowments without donor restrictions	(7,037,511)	(8,911,707)
Other donor restricted funds	(4,714,333)	(7,469,631)
Total amounts unavailable for general expenditures within one year	(327,897,554)	(405,799,809)
Plus:		
Annual endowment support and other spending	25,889,255	21,307,000
Bank line of credit	25,000,000	—
Total financial assets and liquidity resources available within one year	$ 111,992,300	94,120,397

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, 2022 and 2021 are scheduled to be collected as follows:

		2022	2021
Less than one year	$	20,484,085	27,361,150
One to five years		24,693,563	25,023,980
Greater than five years		—	400,000
		45,177,648	52,785,130
Allowance for uncollectible contributions receivable		(255,744)	(105,000)
Adjustment to reflect contributions receivable at discounted value (at rates ranging from 3% to 6%)		(2,296,252)	(1,936,442)
	$	42,625,652	50,743,688

Amounts receivable from five donors represented 64% and 67% of gross contributions receivable as of June 30, 2022 and 2021, respectively. Amounts from eight donors and four donors represented 46% and 22% of gross contributions as of June 30, 2022 and 2021, respectively.

Fund-raising expenses, exclusive of depreciation and interest expense, reflected in the accompanying financial statements of $6,680,844 and $5,231,568 have been incurred to raise contributions and grants, including contributions with donor restrictions, totaling $44,568,539 and $31,751,701 for the year ended June 30, 2022 and 2021, respectively.

In response to COVID-19, Carnegie Hall instituted cost reduction measures and applied for governmental relief including the Shuttered Venue Operators Grant (SVOG) program and the Employee Retention Tax Credit (ERTC). Carnegie Hall received and recorded $10 million through the SVOG program in July 2021 and filed for and received approximately $1.8 million in ERTC during the year ended June 30, 2022. These amounts are included in the City of New York and other government agency grants within the operating section of the statement of activities.

(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:			
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
2027		8,549,276	12,213,252

The Tower Property subrental revenue for the years ended June 30, 2022 and 2021 amounted to $13,326,255 and $13,252,886, respectively. The Tower Property rent expense paid to the City of New York for the years ended June 30, 2022 and 2021 amounted to $9,328,379 and $9,277,021, respectively.

The Corporation adopted Accounting Standards Update No. 2016-02, *Leases* (Topic 842) effective July 1, 2020. 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. 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 years ended June 30, 2022 and 2021, lease expense was $183,600.

The following table summarizes the future maturities of the Corporation’s operating lease liability as of June 30, 2022.

Year ending June 30:		
2023	$	7,320,149
2024		7,253,672
2025		7,186,130
2026		7,117,508
2027		7,047,789

(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. The outstanding balance on the Series 2019 Revenue Bonds at June 30, 2022 and 2021 were $84,905,000 and $86,340,000 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, 2022 and 2021 was $2,541,275 and $2,581,015, respectively. Carnegie Hall is in compliance with the requirements of the loan documents.

As of June 30, 2022, the Series 2019 Revenue Bonds had an unamortized bond premium and unamortized issuance costs of $19,290,016 and $819,610 respectively, included in loans payable in the accompanying balance sheet.

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.

	Principal	Interest	Total
Year(s) ending June 30:			
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
2027	2,840,000	3,744,417	6,584,417
Thereafter	73,705,000	27,638,271	101,343,271
	84,905,000	$ 47,562,855	132,467,855
Plus: Outstanding unamortized premium	19,290,016		
Less: Outstanding unamortized bond issuance costs	(819,610)		
	$ 103,375,406		

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, 2022 and June 30, 2021 were $0 and $25,000,000, respectively. The outstanding amount is recorded as a liability and included with loans payable in the accompanying balance sheets.

The fixed fee rate on the unused balance was 0.08% at June 30, 2022 and 2021. Interest and fees expensed on the lines of credit for the years ended June 30, 2022 and 2021 were $40,545 and $145,621, respectively. The line of credit agreement requires Carnegie Hall to meet certain financial covenants. At June 30, 2022, 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. Carnegie Hall applied for loan forgiveness in March 2021 and the loan and interest were forgiven in July 2021. The forgiveness of debt, including interest is recorded as a non-operating item in the statement of activities for the year ended June 30, 2022.

(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, 2022 and 2021. Expenses are allocated based on time, effort, and usage and have been distributed to the functional areas of Carnegie Hall 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 2022
Salaries, wages and benefits	$ 10,557,234	14,703,852	3,882,189	4,253,470	2,394,101	9,396,187	4,316,269	49,503,302
Carnegie Hall Tower and rent expenses	—	—	9,511,979	—	—	—	—	9,511,979
Concert expenses	5,925,724	—	12,660	3,154,352	444,382	500	204,730	9,742,348
Advertising	—	—	—	—	—	3,563,908	—	3,563,908
Office expenses	145,342	914,908	325,451	118,353	58,377	302,641	335,865	2,200,937
Travel	323,279	6,112	7,681	805,115	30	38,393	22,764	1,203,374
Other operating expenses	983,979	784,650	2,662,733	2,106,618	394,603	2,035,713	1,411,558	10,379,854
Building operation costs	355,506	39,471	2,447,577	113,530	—	196,296	238	3,152,618
Professional services	1,190,511	576,087	1,161,963	509,296	915,552	2,251,557	389,420	6,994,386
Total operating expenses (excluding interest)	19,481,575	17,025,080	20,012,233	11,060,734	4,207,045	17,785,195	6,680,844	96,252,706
Interest	636,647	578,320	—	1,081,078	35,722	125,027	125,026	2,581,820
Total operating expenses	20,118,222	17,603,400	20,012,233	12,141,812	4,242,767	17,910,222	6,805,870	98,834,526
Depreciation and amortization	4,176,145	3,621,736	—	2,800,227	238,949	2,280,713	836,319	13,954,089
Pension nonservice cost	—	—	—	—	(12,662)	—	—	(12,662)
Total	$ 24,294,367	21,225,136	20,012,233	14,942,039	4,469,054	20,190,935	7,642,189	112,775,953

	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

(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, 2022 and 2021:

		2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of year	$	64,310,416	66,250,423
Service cost		2,208,776	2,367,060
Interest cost		1,639,650	1,546,924
Plan amendments		36,009	—
Actuarial gain		(11,207,984)	(3,939,480)
Benefits paid and estimated expenses		(1,925,816)	(1,914,511)
Benefit obligation at end of year		55,061,051	64,310,416
Change in plan assets:			
Fair value of plan assets at beginning of year		38,316,619	30,283,233
Actual return (loss)		(4,009,771)	7,603,252
Employer contributions		2,200,180	2,414,003
Benefits paid and actual expenses		(1,963,959)	(1,983,869)
Fair value of plan assets at end of year		34,543,069	38,316,619
Funded status	$	(20,517,982)	(25,993,797)

		2022	2021
Components of net periodic cost:			
Service cost	$	2,208,776	2,367,060
Interest cost		1,639,650	1,546,924
Expected return on plan assets		(2,151,177)	(1,780,254)
Other, net		498,865	1,329,019
Net periodic cost	$	2,196,114	3,462,749
Item not yet recognized as a component of net periodic benefit cost:			
Actuarial gain	$	(5,471,749)	(11,022,139)

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic benefit cost at June 30, 2022 consist of actuarial losses of $6,957,240 and prior service cost of $36,009 and at June 30, 2021 consist of actuarial losses of $12,464,998. In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2023 is expected to include the amortization of the actuarial loss of $131,000. The change in actuarial gain is attributed to the change in the discount rate from prior year.

The accumulated benefit obligation for the plan at June 30, 2022 and 2021 was $49,146,573 and $55,873,399, respectively.

	2022	2021
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.40 %	2.65 %
Rate of compensation increase	Graded	Graded
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	2.65 %	2.45 %
Expected return on plan assets	5.80	5.80
Rate of compensation increase	Graded	Graded

Carnegie Hall expects to contribute $2,200,000 to the plan in its fiscal year ending June 30, 2023. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2023	$ 7,780,000
2024	2,117,000
2025	1,229,000
2026	1,666,000
2027	2,812,000
2028–2032	17,941,000

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, 2022 and 2021:

	2022			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash equivalents	$ 694,870	694,870	—	—
Common stocks and exchange traded funds	22,736,697	22,736,697	—	—
Fixed income	7,732,974	7,732,974	—	—
Group annuity contract	3,378,528	—	—	3,378,528
	$ 34,543,069	31,164,541	—	3,378,528

	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

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, 2021 and 2020, which is for the plan years ended December 31, 2021 and 2020. 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 collective bargaining agreement with Local One expired on August 31, 2022, Carnegie Hall is currently in negotiations. The contributions by Carnegie Hall to the union pension fund were $343,357 and $16,570 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 is as follows:

	2022	**2021**
Artistic and educational programs	$ 28,721,023	30,685,352
Annual fund – time restrictions	17,120,807	24,318,062
Endowment appreciation not appropriated for expenditure	95,150,512	172,300,754
Endowment corpus	198,853,631	193,735,179
	$ 339,845,973	421,039,347

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 2022 and 2021, 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 were two such donor-restricted endowment funds with a combined fair value of $4,612,727 at June 30, 2022 and combined original historic value of $5,093,452. The donor agreements permit the application of the spending policy on the underwater funds.

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, 2022 and 2021:

		With donor restrictions		
	Without donor restrictions	**Original gift**	**Accumulated gains**	**Total**
2022:				
Donor restricted	$ —	198,853,631	95,150,512	294,004,143
Board designated	7,037,511	—	—	7,037,511
Balance at June 30, 2022	$ 7,037,511	198,853,631	95,150,512	301,041,654

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: 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

The following table presents the changes in endowment net assets for the years ended June 30, 2022 and 2021:

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: Accumulated gains	Total
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
Investment gain, net	(1,420,625)	—	(58,465,813)	(59,886,438)
Endowment spending	(453,571)	—	(18,684,429)	(19,138,000)
Contributions	—	5,118,452	—	5,118,452
Balance at June 30, 2022	$ 7,037,511	198,853,631	95,150,512	301,041,654