THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Boards of Trustees
The Carnegie Hall Corporation
The Carnegie Hall Society, Inc.:

We have audited the accompanying consolidated financial statements of The Carnegie Hall Corporation and The Carnegie Hall Society, Inc., which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly in all material respects, the financial position of The Carnegie Hall Corporation and The Carnegie Hall Society, Inc. as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KPMG LLP

October 26, 2016

THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Balance Sheets

June 30, 2016 and 2015

Assets	**2016**	**2015**
Cash and cash equivalents	$ 16,032,550	14,706,855
Contributions receivable, net (note 4)	47,468,648	25,085,920
Prepaid expenses and other assets	4,337,820	3,188,601
Funds held by trustee (note 2)	452,312	452,312
Investments (note 2)	302,211,153	336,345,208
Fixed assets, net (note 3)	281,610,280	294,400,619
Total assets	$ 652,112,763	674,179,515
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 6,894,152	6,655,987
Advance sale of tickets and other deferred revenue	11,955,076	11,537,119
Accrued pension benefit obligation (note 8)	29,376,147	22,406,582
Loans payable (note 6)	121,535,823	127,814,880
Total liabilities	169,761,198	168,414,568
Net assets (note 10):		
Unrestricted	158,467,233	179,540,656
Temporarily restricted	136,608,519	143,845,068
Permanently restricted	187,275,813	182,379,223
Total net assets	482,351,565	505,764,947
Total liabilities and net assets	$ 652,112,763	674,179,515

See accompanying notes to consolidated financial statements.

THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Statements of Activities

Years ended June 30, 2016 and 2015

	2016	2015
Change in unrestricted net assets:		
Operations:		
Expenses (note 7):		
Carnegie Hall produced events and audience development	$ 22,932,740	21,708,653
Hall operations	19,256,207	17,296,207
Real estate operations (note 5)	19,766,063	18,438,003
Weill Music Institute education programs	12,193,601	9,231,489
General and administrative	11,059,566	8,761,440
Fund-raising expenses	7,826,143	7,286,708
Interest expense (notes 6 and 7)	5,635,284	5,758,767
Other operations	3,648,346	3,112,704
	102,317,950	91,593,971
Revenues:		
Earned revenue:		
Box office receipts from Carnegie Hall produced events	17,106,703	15,454,168
Hall rental operations	16,239,117	13,358,956
Real estate operations and other (note 5)	16,461,002	15,550,538
Total earned revenue	49,806,822	44,363,662
Contributed income:		
Annual campaign and fund-raising events	10,905,286	7,342,527
The City of New York and other government agency grants	407,135	407,135
Net assets released from restrictions:		
Satisfaction of donor restrictions	22,958,415	22,100,994
Total contributed revenue	34,270,836	29,850,656
Investment income:		
Endowment support released from restriction/authorized for spending (note 10)	17,500,000	16,700,000
Other investment income (note 2)	4,378	262,263
Total operating investment income	17,504,378	16,962,263
Total operating revenues	101,582,036	91,176,581
Deficiency of operating revenues over expenses	(735,914)	(417,390)
Nonoperating:		
Depreciation and amortization expense (note 7)	(16,890,298)	(16,121,531)
Loss not yet recognized as a component of net periodic benefit cost (note 8)	(3,894,647)	(3,285,595)
Net assets released from restrictions for capital	447,436	663,615
Decrease in unrestricted net assets	(21,073,423)	(19,160,901)
Change in temporarily restricted net assets:		
Contributions	46,882,113	33,751,727
The City of New York and other government agency grants (note 3)	1,105,112	803,780
Investment (loss) return, net (note 2)	(14,317,923)	13,461,762
Net assets released from restrictions:		
Satisfaction of donor restrictions	(23,405,851)	(22,764,609)
Endowment support (note 10)	(17,500,000)	(16,700,000)
(Decrease) increase in temporarily restricted net assets	(7,236,549)	8,552,660
Change in permanently restricted net assets:		
Endowment campaign contributions (note 10)	4,896,590	322,790
Increase in permanently restricted net assets	4,896,590	322,790
Decrease in net assets	(23,413,382)	(10,285,451)
Net assets at beginning of year	505,764,947	516,050,398
Net assets at end of year	$ 482,351,565	505,764,947

See accompanying notes to consolidated financial statements.

THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Decrease in net assets	$ (23,413,382)	(10,285,451)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	16,890,298	16,121,531
Amortization of bond discount and issuance costs	62,524	62,528
Realized and unrealized losses (gains) on investments	15,104,013	(13,303,666)
Endowment and capital contributions	(5,344,026)	(986,405)
Changes in assets and liabilities:		
Contributions receivable, less amounts classified as financing activities	(24,962,074)	722,383
Prepaid expenses and other assets	(1,149,219)	344,687
Accrued pension benefit obligation	6,969,565	6,204,993
Other operating liability accounts, less amounts classified as investing activities	1,476,690	(491,025)
Net cash used in operating activities	(14,365,611)	(1,610,425)
Cash flows from investing activities:		
Purchases of investments	(54,721,393)	(84,542,604)
Proceeds from sale of investments	73,751,435	92,143,355
Decrease in construction payable	(820,568)	(9,922,030)
Purchase of fixed assets	(4,099,959)	(23,235,712)
Net cash provided by (used in) investing activities	14,109,515	(25,556,991)
Cash flows from financing activities:		
Proceeds from endowment and capital contributions	7,923,372	44,454,660
Payments on loans	(6,341,581)	(20,860,689)
Net cash provided by financing activities	1,581,791	23,593,971
Net increase (decrease) in cash and cash equivalents	1,325,695	(3,573,445)
Cash and cash equivalents at beginning of year	14,706,855	18,280,300
Cash and cash equivalents at end of year	$ 16,032,550	14,706,855

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Carnegie Hall Corporation (the Corporation) 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 Carnegie Hall Society, Inc. (the Society) was established in the same year to support Carnegie Hall's nonprofit activities. The Society uses the income from its endowment, within established policies, to contribute to the operations of the Corporation and for other related activities. The consolidated financial statements include the accounts of the Corporation and the Society, after elimination of significant transactions between the two organizations.

The Corporation and the Society (collectively, Carnegie Hall) are New York not-for-profit corporations and have been classified by the Internal Revenue Service as 501(c)(3) organizations and are 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 consolidated financial statements.

(b) Basis of Presentation

Carnegie Hall's net assets and revenues, 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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations are unrestricted. Carnegie Hall considers depreciation and amortization, pension plan adjustments, and net assets released from restrictions for capital to be nonoperating in the consolidated statements of activities.

Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that will be met by either actions of Carnegie Hall or the passage of time. Temporarily restricted net assets are restricted principally to artistic and education programs, and include unexpended endowment gains that have not been appropriated for expenditure (note 10).

Permanently restricted net assets – Net assets that are subject to donor-imposed stipulations to be maintained in perpetuity. Generally, the donors of these assets permit Carnegie Hall to use all or part of the income earned on related investments for general or specific purposes. The income from permanently restricted net assets is expendable principally to support the artistic, education, and general activities of Carnegie Hall.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor-imposed restrictions or by law. As discussed in note 10, investment income on donor-restricted endowment funds is recorded as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets.

(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 prices in active markets for identical assets or liabilities that Carnegie Hall has the ability to access at the measurement date.

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

Level 3 Inputs that are unobservable at or near the consolidated 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.

Carnegie Hall follows Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

(e) Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and revenues, expenses, gains, and losses recognized during the reporting period. Significant estimates made in preparation of the consolidated financial statements include the fair value of alternative investments, net realizable value of contributions receivable, pension benefit obligations, determination of depreciable lives for fixed assets, and allocation of functional expenses. Actual results could differ from those estimates.

(f) Subsequent Events

Carnegie Hall evaluated subsequent events after the consolidated balance sheet date of June 30, 2016 through October 26, 2016, which was the date the consolidated financial statements were issued, and concluded that no additional disclosures are required.

(2) Investments

Investments are stated at fair value based upon quoted 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 investments as of June 30, 2016:

	Fair value	Level 1	Level 2	Level 3
Fixed income:				
Short-term duration	$ 21,681,821	21,681,821	—	—
U.S. Treasuries and agencies	23,887,053	23,887,053	—	—
Equities:				
Domestic	78,744,816	78,744,816	—	—
	124,313,690	$ 124,313,690	—	—
Investments reported at net asset value	177,897,463			
Total investments	$ 302,211,153			

The following table presents the fair value hierarchy for investments as of June 30, 2015:

	Fair value	Level 1	Level 2	Level 3
Fixed income:				
Short-term duration	$ 41,867,360	41,867,360	—	—
U.S. Treasuries and agencies	24,056,750	24,056,750	—	—
Equities:				
Domestic	87,387,621	87,387,621	—	—
	153,311,731	$ 153,311,731	—	—
Investments reported at net asset value	183,033,477			
Total investments	$ 336,345,208			

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 consolidated balance sheets.

The following table presents the liquidity and outstanding commitments for all investments reported at net asset value as of June 30, 2016 and 2015:

	June 30, 2016				
		Liquidity			
	Fair value	Monthly/ Quarterly	Semiannual	Greater than one year	Outstanding commitments
Equities:					
Event driven	$ 55,534,222	—	55,534,222	—	—
Sector long/short	20,822,797	5,579,662	15,243,135	—	—
Foreign	26,470,556	26,178,769	—	291,787	—
Alternative investments:					
Global long/short debt/equity funds	997,325	—	—	997,325	—
Distressed debt hedge funds	4,693,329	—	2,289,178	2,404,151	—
Multistrategy hedge funds	27,953,074	27,535,355	—	417,719	—
Real estate	15,130,266	—	—	15,130,266	1,082,295
Private equity	26,295,894	—	—	26,295,894	5,313,571
	$ 177,897,463	59,293,786	73,066,535	45,537,142	6,395,866

	June 30, 2015					
		Liquidity				
	Fair value	**Monthly/ Quarterly**	**Semiannual**	**Annual**	**Greater than one year**	**Outstanding commitments**
Equities:						
Event driven	$ 58,941,902	—	34,204,283	24,737,619	—	—
Sector long/short	25,157,817	5,631,625	19,526,192	—	—	—
Foreign	18,231,988	17,913,342	—	—	318,646	—
Alternative investments:						
Global long/short debt/equity funds	1,616,625	—	—	—	1,616,625	—
Distressed debt hedge funds	6,322,193	—	2,189,452	—	4,132,741	—
Multistrategy hedge funds	27,289,260	25,175,203	—	1,587,522	526,535	—
Real estate	14,426,006	—	—	—	14,426,006	1,429,271
Private equity	31,047,686	—	—	—	31,047,686	7,479,303
	$ 183,033,477	48,720,170	55,919,927	26,325,141	52,068,239	8,908,574

For investments with monthly, quarterly, and semiannual redemptions, the notice periods for redemptions range from approximately 10 to 180 days as of June 30, 2016. At June 30, 2016, Carnegie Hall had commitments of approximately $6.4 million relating to private equity and real estate investments, for which capital calls had not been made. Such commitments generally have fixed expiration dates or other termination clauses. Carnegie Hall maintains sufficient liquidity in its investment portfolio to cover such calls. Additionally, at June 30, 2016, Carnegie Hall's investments in private equity and real estate investments had remaining lives of one to ten years.

Funds held by trustee totaling $452,312 at June 30, 2016 and 2015 are invested in cash, which is considered Level 1 within the fair value hierarchy.

In 2016 and 2015, investment return (loss) includes the following components:

	2016	**2015**
Interest and dividends	$ 1,449,363	1,111,316
Realized and unrealized (loss) gains	(15,104,013)	13,303,666
Investment expenses	(658,895)	(690,957)
	$ (14,313,545)	13,724,025

(3) Fixed Assets

Fixed assets are recorded at cost and consist of the following at June 30, 2016 and 2015:

		2016	2015
Leasehold improvements	$	360,603,801	359,047,812
Building		8,400,000	8,400,000
Furniture and equipment		11,610,726	12,422,516
		380,614,527	379,870,328
Less accumulated depreciation and amortization		(99,004,247)	(85,469,709)
	$	281,610,280	294,400,619

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 ten to forty years. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, ranging principally from five to ten years.

Carnegie Hall disposed of fixed assets with a cost and accumulated depreciation of $3,355,760 and $1,041,482 in 2016 and 2015, respectively.

The City of New York has historically made grants to Carnegie Hall for capital improvement purposes. In 2016, $1,970,000 was received related to prior year commitments and $270,000 was recognized as a contribution from the City of New York for the Studio Towers Renovation Project (a project commenced in 2010 to create an education wing, renovate backstage areas, and upgrade building infrastructure). In 2015, $28,444,000 was received related to prior year commitments.

(4) Contributions

Contributions receivable at June 30, 2016 and 2015 are scheduled to be collected as follows:

		2016	2015
Less than one year	$	18,296,855	16,259,017
One to five years		23,795,750	9,293,822
Greater than five years		10,500,000	—
		52,592,605	25,552,839
Less allowance for uncollectible contributions receivable		(235,000)	(37,000)
Adjustment to reflect contributions receivable at discounted value (at rates ranging from 3% to 5%)		(4,888,957)	(429,919)
	$	47,468,648	25,085,920

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.

Amounts receivable from five donors represented 73% and 39% of gross contributions receivable as of June 30, 2016 and 2015, respectively.

Fund-raising expenses, exclusive of depreciation, reflected in the accompanying consolidated financial statements of $7,826,143 and $7,286,708 have been incurred to raise contributions and grants, including temporarily and permanently restricted contributions, totaling $64,196,236 and $42,627,959 in 2016 and 2015, respectively.

(5) 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 (the 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. These subrental revenues are subject to adjustment based upon Subtenant commercial rental revenues, 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 revenues
Year ending June 30:			
2017	$	9,879,279	14,113,255
2018		9,879,279	14,113,255
2019		8,549,276	12,213,252
2020		8,549,276	12,213,252
2021		8,549,276	12,213,252

The Tower Property subrental revenues for the years ended June 30, 2016 and 2015 amounted to $14,704,241 and $13,430,147, respectively. The Tower Property rent expense paid to the City of New York for the years ended June 30, 2016 and 2015 amounted to $10,292,969 and $9,401,103, respectively.

(6) Loans Payable and Line of Credit

In November 2009, The Trust for Cultural Resources of the City of New York (the Trust) issued Series 2009 Revenue Bonds, the proceeds of which have been loaned to Carnegie Hall. The outstanding amount due under the Series 2009 Revenue Bonds at June 30, 2016 and 2015 is $110,000,000.

The interest on the Series 2009 Revenue Bonds is fixed at 4.75% on $28,905,000 principal amount and 5.00% on $81,095,000 principal amount. The loan agreement between Carnegie Hall and the Trust requires that Carnegie Hall make loan repayments equal to all principal and interest payable on the applicable bond payment dates. Loan principal repayments are scheduled to commence during the fiscal year ending June 30, 2026. The Corporation and the Society are jointly and severally liable under the loan agreement. Carnegie Hall is in compliance with the requirements of the loan documents. Interest paid for the years ended June 30, 2016 and 2015 was $5,427,738.

As of June 30, 2016 and 2015, the Series 2009 Revenue Bonds had an unamortized bond discount and issuance costs of $180,010 and $1,284,167, and $187,695 and $1,339,006, respectively, included in loans payable in the accompanying consolidated balance sheets.

Carnegie Hall obtained a $78,500,000 unsecured line of credit with a financial institution to provide assistance with capital expenditure projects. The revolving credit agreement provides a total commitment of $78,500,000 for the period May 14, 2012 through March 31, 2015; this amount is reduced to $50,000,000 for the period April 1, 2015 through March 31, 2017, when all amounts under the agreement are due. At June 30, 2016 and 2015, the amount outstanding under the agreement is $13,000,000 and $19,341,581, respectively. The outstanding amount is recorded as a liability and included with loans payable in the accompanying consolidated balance sheets. The interest rate on the outstanding amount is approximately 1.11% and 0.84% at June 30, 2016 and 2015, respectively. The fixed fee rate on the unused balance was 0.10% at June 30, 2016 and 2015. Interest and fees paid on the line of credit for the years ended June 30, 2016 and 2015 were $199,859 and $322,132, respectively.

The line of credit agreement requires Carnegie Hall to meet certain financial covenants. At June 30, 2016, Carnegie Hall was in compliance with these financial covenants.

(Continued)

(7) Allocation of Expenses

Carnegie Hall excluded depreciation and amortization and interest from the functional expense categories in the consolidated statements of activities for the years ended June 30, 2016 and 2015. Those expenses have been distributed to the functional areas of Carnegie Hall as follows:

	2016			
	Expenses excluding depreciation and interest	Depreciation and amortization	Interest	Total
Programs	$ 77,796,957	16,120,817	5,635,284	99,553,058
General and administrative	11,059,566	582,217	—	11,641,783
Fund-raising	7,826,143	187,264	—	8,013,407
Total	$ 96,682,666	16,890,298	5,635,284	119,208,248

	2015			
	Expenses excluding depreciation and interest	Depreciation and amortization	Interest	Total
Programs	$ 69,787,056	15,390,970	5,758,767	90,936,793
General and administrative	8,761,440	552,769	—	9,314,209
Fund-raising	7,286,708	177,792	—	7,464,500
Total	$ 85,835,204	16,121,531	5,758,767	107,715,502

(8) 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.

The following table sets forth the plan's financial information as of June 30, 2016 and 2015:

		2016	**2015**
Change in benefit obligation:			
Benefit obligation at beginning of year	$	36,857,193	30,777,912
Service cost		2,235,373	2,012,102
Interest cost		1,517,019	1,241,218
Actuarial loss		4,124,428	3,369,137
Benefits paid and estimated expenses		(529,276)	(543,176)
Benefit obligation at end of year		44,204,737	36,857,193
Change in plan assets:			
Fair value of plan assets at beginning of year		14,450,611	14,576,323
Actual return		305,782	436,882
Employer contributions		600,000	—
Benefits paid and actual expenses		(527,803)	(562,594)
Fair value of plan assets at end of year		14,828,590	14,450,611
Funded status	$	(29,376,147)	(22,406,582)

		2016	**2015**
Components of net periodic cost:			
Service cost	$	2,235,373	2,012,102
Interest cost		1,517,019	1,241,218
Expected return on plan assets		(859,188)	(880,469)
Other, net		781,714	546,547
Net periodic cost	$	3,674,918	2,919,398
Items not yet recognized as a component of net periodic benefit cost:			
Actuarial loss	$	(3,894,647)	(3,285,595)

Accumulated amounts recorded in unrestricted net assets other than through net periodic benefit cost at June 30, 2016 and 2015 consist of actuarial losses of $16,471,193 and $12,576,546, respectively. In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2017 will include the amortization of the actuarial loss of $1,006,000.

The accumulated benefit obligation for the plan at June 30, 2016 and 2015 was $34,603,240 and $28,352,328, respectively.

	2016	2015
Weighted average assumptions used to determine benefit obligations:		
Discount rate	3.35%	4.25%
Rate of compensation increase	3.50	4.00
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	4.25%	4.15%
Expected return on plan assets	6.70	6.70
Rate of compensation increase	4.00	4.00

Carnegie Hall expects to contribute $1,600,000 to the plan in 2017. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2017	$ 2,782,000
2018	825,000
2019	1,390,000
2020	923,000
2021	2,145,000
2022–2026	10,403,000

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, 2016 and 2015, respectively:

	2016			
	Fair value	Level 1	Level 2	Level 3
Common stocks	$ 2,052,864	2,052,864	—	—
Mutual funds	6,262,365	6,262,365	—	—
Investment contracts	6,513,361	—	—	6,513,361
	$ 14,828,590	8,315,229	—	6,513,361

	2015			
	Fair value	Level 1	Level 2	Level 3
Common stocks	$ 2,067,855	2,067,855	—	—
Mutual funds	5,691,689	5,691,689	—	—
Investment contracts	6,691,067	—	—	6,691,067
	$ 14,450,611	7,759,544	—	6,691,067

Activity with respect to Level 3 plan assets for the years ended June 30, 2016 and 2015 was as follows:

		2016	2015
Balance at beginning of year	$	6,691,067	6,927,186
Sales		(470,894)	(505,002)
Interest earned		293,188	268,883
Balance at end of year	$	6,513,361	6,691,067

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 13-3022965 and the three-digit Pension Plan number is 001. The most recent Pension Protection Act (PPA) zone status is green at December 31, 2015 and 2014, which is for the plan years ended December 31, 2015 and 2014. 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, 2016. The contributions by Carnegie Hall to the union pension fund were $433,092 and $385,826 for the years ended June 30, 2016 and 2015, respectively.

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

(9) Related Party Transactions

Organizations affiliated with members of the Boards of Trustees of Carnegie Hall provide services to the Corporation and the Society. The arrangements for these services are negotiated on an arm's length basis and are periodically reviewed by the Governance Committees of the Corporation and the Society.

(10) Net Assets

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 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Carnegie Hall has 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. The Boards of Trustees approved a reduction in the distributed percentage to 5% beginning July 1, 2016.

The objective of Carnegie Hall's investment portfolio is to provide future growth of the portfolio sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment fund. The objective of the investment program is to enhance the portfolio's long-term viability by maximizing the value of the portfolio with a prudent level of risk. The assets are managed on a total return basis. The Investment Committee of the Board of Trustees has adopted long-term asset allocation policy midrange targets for fixed income, equities, alternative investments, real estate, and private equity.

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 permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies at June 30, 2016 and 2015.

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, 2016 and 2015:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	—	116,788,007	182,379,223	299,167,230
Board-designated		6,420,552	—	—	6,420,552
Balance at June 30, 2015	$	6,420,552	116,788,007	182,379,223	305,587,782
Donor-restricted	$	—	84,970,084	187,275,813	272,245,897
Board-designated		6,424,930	—	—	6,424,930
Balance at June 30, 2016	$	6,424,930	84,970,084	187,275,813	278,670,827

The following table presents the changes in endowment net assets for the years ended June 30, 2016 and 2015:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance at June 30, 2014	$	6,158,289	120,026,245	182,056,433	308,240,967
Investment gain, net		262,263	13,461,762	—	13,724,025
Endowment spending		—	(16,700,000)	—	(16,700,000)
Contributions		—	—	322,790	322,790
Balance at June 30, 2015		6,420,552	116,788,007	182,379,223	305,587,782
Investment gain (loss), net		4,378	(14,317,923)	—	(14,313,545)
Endowment spending		—	(17,500,000)	—	(17,500,000)
Contributions		—	—	4,896,590	4,896,590
Balance at June 30, 2016	$	6,424,930	84,970,084	187,275,813	278,670,827

Temporarily restricted net assets at June 30, 2016 and 2015 were available for the following purposes:

		2016	**2015**
Artistic and educational programs	$	49,541,139	24,303,515
Annual fund – time restrictions		2,097,296	2,753,546
Endowment appreciation not appropriated for expenditure		84,970,084	116,788,007
	$	136,608,519	143,845,068