THE CARNEGIE HALL CORPORATION

Financial Statements

June 30, 2019 and 2018

(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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Carnegie Hall Corporation as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in note 1(f) to the financial statements, The Carnegie Hall Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (*Topic 958*): *Presentation of Financial Statements of Not-for-profit Entities*, ASU No. 2017-07, *Compensation – Retirement Benefits* (*Topic 715*): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, ASU No. 2014-09 (*Topic 606*), *Revenue from Contracts with Customers*, and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in 2019. Our opinion is not modified with respect to these matters.

KPMG LLP

October 21, 2019

THE CARNEGIE HALL CORPORATION

Balance Sheets

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	17,528,836	17,941,604
Contributions receivable, net (note 5)		61,893,879	67,246,532
Prepaid expenses and other assets (note 2)		2,933,715	3,536,483
Investments (note 2)		333,139,827	334,016,512
Fixed assets, net (note 3)		242,547,587	253,255,792
Total assets	$	658,043,844	675,996,923
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	8,538,652	7,719,394
Advance sale of tickets and other deferred revenue		14,854,871	13,298,194
Accrued pension benefit obligation (note 9)		28,725,128	24,131,749
Loans payable (note 7)		108,723,405	112,495,484
Total liabilities		160,842,056	157,644,821
Net assets (notes 1 and 11):			
Without donor restrictions		129,360,963	140,413,166
With donor restrictions		367,840,825	377,938,936
Total net assets		497,201,788	518,352,102
Total liabilities and net assets	$	658,043,844	675,996,923

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Activities

Years ended June 30, 2019 and 2018

		2019	2018
Change in net assets without donor restrictions:			
Revenues:			
Earned revenue:			
Box office receipts from Carnegie Hall produced events	$	16,131,950	17,553,724
Hall rental operations		18,230,257	16,313,428
Real estate operations and other (note 6)		15,678,587	17,850,605
Total earned revenue		50,040,794	51,717,757
Contributed income:			
Annual campaign and fund-raising events		17,972,969	14,301,057
The City of New York and other government agency grants		441,579	431,563
Net assets released from restrictions:			
Satisfaction of donor restrictions		30,187,656	26,386,948
Total contributed revenue		48,602,204	41,119,568
Investment income:			
Endowment support released from restriction/authorized for spending (note 11)		15,475,000	14,650,000
Other investment income (note 2)		40,668	12,231
Total operating investment income		15,515,668	14,662,231
Total operating revenues		114,158,666	107,499,556
Expenses (note 8):			
Carnegie Hall produced events and audience development		19,360,597	18,702,610
Hall operations		19,940,059	19,125,042
Real estate operations (note 6)		20,268,526	20,570,650
Weill Music Institute education programs		12,444,058	10,855,816
Creative services, digital, and other		3,765,992	4,038,206
General and administrative		16,443,245	15,937,289
Fund-raising expenses		5,995,530	7,161,670
Interest expense (note 7)		5,505,643	5,557,189
Total expenses		103,723,650	101,948,472
Excess of operating revenues over expenses		10,435,016	5,551,084
Nonoperating:			
Depreciation and amortization expense (note 8)		(15,680,905)	(16,195,729)
Investment return, net (note 2)		195,068	491,031
Endowment spending transfer (note 11)		(366,757)	(354,530)
Pension nonservice cost (notes 8 and 9)		(899,502)	(1,144,311)
(Loss) gain not yet recognized as a component of net periodic benefit cost (note 9)		(4,181,013)	2,745,865
Loss on disposal of fixed assets (note 3)		(554,110)	—
Decrease in net assets without donor restrictions		(11,052,203)	(8,906,590)
Change in net assets with donor restrictions:			
Contributions		24,917,535	33,859,726
The City of New York and other government agency grants		1,694,951	1,608,645
Investment return, net (note 2)		8,035,655	19,828,606
Endowment campaign contributions (note 11)		549,647	5,614,424
Net assets released from restrictions:			
Satisfaction of donor restrictions		(30,187,656)	(26,386,948)
Endowment support (note 11)		(15,108,243)	(14,295,470)
(Decrease) increase in net assets with donor restrictions		(10,098,111)	20,228,983
(Decrease) increase in net assets		(21,150,314)	11,322,393
Net assets at beginning of year, as restated (note 1)		518,352,102	507,029,709
Net assets at end of year	$	497,201,788	518,352,102

See accompanying notes to financial statements.

THE CARNEGIE HALL CORPORATION

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(21,150,314)	11,322,393
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:			
Depreciation and amortization		15,680,905	16,195,729
Amortization of bond discount and issuance costs		62,527	62,527
Loss on disposal of fixed assets		554,110	—
Realized and unrealized gains on investments		(6,390,816)	(19,726,876)
Endowment contributions		(549,647)	(5,614,424)
Changes in assets and liabilities:			
Contributions receivable, less amounts classified as financing activities		(2,169,840)	(12,976,331)
Prepaid expenses and other assets		150,459	928,564
Accrued pension benefit obligation		4,593,379	(2,597,499)
Other operating liability accounts, less amounts classified as investing activities		2,375,935	2,473,241
Net cash used in operating activities		(6,843,302)	(9,932,676)
Cash flows from investing activities:			
Purchases of investments		(242,392,594)	(123,974,735)
Proceeds from sale of investments		249,660,095	139,169,440
Purchase of fixed assets		(5,526,810)	(3,570,866)
Net cash provided by investing activities		1,740,691	11,623,839
Cash flows from financing activities:			
Proceeds from endowment and capital contributions		8,072,140	1,132,664
Decrease in funds held by trustee		452,309	—
Payments on loans		(3,834,606)	(4,570,000)
Net cash provided by (used in) financing activities		4,689,843	(3,437,336)
Net decrease in cash and cash equivalents		(412,768)	(1,746,173)
Cash and cash equivalents at beginning of year		17,941,604	19,687,777
Cash and cash equivalents at end of year	$	17,528,836	17,941,604

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. Carnegie Hall considers depreciation and amortization, investment return in excess of the spending rate, pension plan adjustments, and net assets released from restrictions for capital 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 and net assets that are subject to donor-imposed stipulations to be maintained in perpetuity, including the unexpended gains on the endowment fund. The income from the endowment is expendable principally to support the artistic, education, and general activities of Carnegie Hall (note 11).

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

(c) Cash Equivalents

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

(d) Fair Value Measurements

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

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

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

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

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

(e) Use of Estimates

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

(f) New Accounting Pronouncements

During 2019, Carnegie Hall adopted Accounting Standard Update, ASU 2016-14, *Not-for-Profit Entities* (*Topic 958*): *Presentation of Financial Statements of Not-for-Profits Entities,* ASU No. 2017-07, *Compensation – Retirement Benefits* (*Topic 715*): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* ASU No. 2018-08, *Not-for-Profit Entities*: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, and* ASU No. 2014-09, *Revenue from Contracts with Customers.*

ASU No. 2016-14 reduces the number of net asset categories from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of $184,804,469 and permanently restricted net assets of $193,134,467 for 2018. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. The ASU has been applied retrospectively.

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ASU No. 2017-07 requires the service cost component be reported in the same line item or items as other compensation costs arising from services rendered by the employees during the period. The other components of net benefit cost are required to be presented separately from the service cost component and outside a subtotal of income from operations. The ASU has been applied retrospectively. The implementation of this ASU did not have a significant impact on the financial statements.

ASU No. 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provider). The implementation of this ASU did not have a significant impact on the financial statements.

ASU No. 2014-09 introduces a five-step model and related application guidance for revenue recognition. The core principle of this standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides guidance on when costs to obtain a contract can be capitalized. The ASU has been applied retrospectively. In previous periods, Carnegie Hall recorded in prepaid expenses certain marketing costs related to future performances. The provisions of the ASU requires that such costs be expensed as incurred. Accordingly, the 2018 financial statement have been adjusted to expense such amounts. Net assets without donor restrictions and changes in net assets were reduced by approximately $661,000 and $136,000, respectively.

(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 $7.9 million and $7.5 million in 2019 and 2018, respectively, and will be recognized as revenue in the subsequent period.

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 sale of tickets and other deferred revenue and are recognized as revenue when the space is utilized. Amounts received in advance were approximately $3.8 million and $3.5 million in 2019 and 2018, respectively, and will be recognized as revenue in the subsequent period.

(h) Reclassifications

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

(i) Subsequent Events

Carnegie Hall evaluated subsequent events after the balance sheet date of June 30, 2019 through October 21, 2019, which was the date the financial statements were issued. On September 5, 2019, Series 2019 Revenue Bonds were issued with a par value of $87,540,000, a premium of $24,244,464 and a coupon rate of 5%. The funds will be used to refund $110,000,000 of Series 2009 Revenue

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Bonds on December 1, 2019. These transactions are described in note 7 and will be recognized in fiscal year 2020. No other additional disclosures are required.

(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.

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

The following table presents the fair value hierarchy for those investments reported at fair value as of June 30, 2018:

	Fair value	Level 1
Fixed income:		
Short-term duration	$ 30,410,807	30,410,807
U.S. Treasury and agencies	20,583,489	20,583,489
Equities:		
Domestic and foreign	105,326,128	105,326,128
	156,320,424	$ 156,320,424
Investments reported at net asset value	177,696,088	
Total investments	$ 334,016,512	

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, 2019 and 2018:

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

	June 30, 2018				
		Liquidity			
	Fair value	Monthly/ quarterly	Semiannual	Greater than one year	Outstanding commitments
Equities:					
Event driven	$ 46,049,108	—	46,049,108	—	—
Sector long/short	27,693,676	6,552,580	21,141,096	—	—
Foreign	31,026,547	30,872,933	—	153,614	—
Alternative investments:					
Global long/short debt/equity funds	756,667	—	—	756,667	—
Distressed debt hedge funds	3,346,389	—	2,287,529	1,058,860	—
Multi-strategy hedge funds	31,256,544	30,994,924	—	261,620	—
Real estate	17,672,150	—	—	17,672,150	1,082,295
Private equity	19,895,007	—	—	19,895,007	2,677,846
	$ 177,696,088	68,420,437	69,477,733	39,797,918	3,760,141

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, 2019. At June 30, 2019, Carnegie Hall had commitments of approximately $3.1 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, 2019, 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 $3 at June 30, 2019 and $452,312 at June 30, 2018 are invested in cash, which is considered Level 1 within the fair value hierarchy.

In 2019 and 2018, investment return includes the following components:

		2019	2018
Interest and dividends, net of fees	$	1,880,575	604,992
Realized and unrealized gains		6,390,816	19,726,876
	$	8,271,391	20,331,868

(3) Fixed Assets

Fixed assets are recorded at cost and consist of the following at June 30, 2019 and 2018:

		2019	2018
Leasehold improvements	$	349,409,913	354,486,341
Building		8,400,000	8,400,000
Furniture and equipment		9,590,861	8,864,691
		367,400,774	371,751,032
Less accumulated depreciation and amortization		(124,853,187)	(118,495,240)
	$	242,547,587	253,255,792

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

During 2019, Carnegie Hall disposed of fixed assets with a cost of $9,877,068 and accumulated depreciation of $9,322,958, resulting in a loss of $554,110. During 2018, Carnegie Hall disposed of fixed assets with a cost and accumulated depreciation of $9,000,502.

The City of New York has historically made grants to Carnegie Hall for capital improvement purposes. No amounts were received for such purpose in 2018 and 2019.

(4) Liquidity and Availability

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capital were as follows:

		2019
Cash and cash equivalents	$	17,528,836
Contributions receivable, net		61,893,879
Investments		333,139,827
Total financial assets		412,562,542
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Receivables greater than one year		(40,637,453)
Endowments with donor restrictions		(303,782,253)
Endowments without donor restrictions		(7,373,084)
Other donor restricted funds		(11,557,160)
Total amounts unavailable for general expenditures within one year		(363,349,950)
Plus:		
Annual endowment support and other spending		18,470,000
Plus:		
Bank line of credit		25,000,000
Total financial assets and liquidity resources available within one year	$	92,682,592

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

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

(5) Contributions

Contributions receivable at June 30, 2019 and 2018 are scheduled to be collected as follows:

		2019	2018
Less than one year	$	21,231,426	27,281,880
One to five years		42,784,282	39,369,884
Greater than five years		4,450,000	8,575,000
		68,465,708	75,226,764
Allowance for uncollectible contributions receivable		(30,000)	(35,000)
Adjustment to reflect contributions receivable at discounted value (at rates ranging from 4% to 6%)		(6,541,829)	(7,945,232)
	$	61,893,879	67,246,532

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 72% and 65% of gross contributions receivable as of June 30, 2019 and 2018, respectively.

Fund-raising expenses, exclusive of depreciation, reflected in the accompanying financial statements of $5,995,530 and $7,161,670 have been incurred to raise contributions and grants, including contributions with donor restrictions, totaling $45,576,681 and $55,815,415 in 2019 and 2018, 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:			
2020	$	8,549,276	12,213,252
2021		8,549,276	12,213,252
2022		8,549,276	12,213,252
2023		8,549,276	12,213,252
2024		8,549,276	12,213,252

The Tower Property subrental revenue for the years ended June 30, 2019 and 2018 amounted to $13,338,835 and $15,095,238, respectively. The Tower Property rent expense paid to the City of New York for the years ended June 30, 2019 and 2018 amounted to $9,337,185 and $10,566,667, respectively.

(7) Loans Payable and Line of Credit

In November 2009, The Trust for Cultural Resources of the City of New York (the Trust) issued Revenue Bonds Series 2009, the proceeds of which have been loaned to Carnegie Hall. The outstanding amount due under the Series 2009 Revenue Bonds at June 30, 2019 and 2018 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. Carnegie Hall is in compliance with the requirements of the loan documents. Interest paid for the years ended June 30, 2019 and 2018 was $5,427,738.

As of June 30, 2019, and 2018, the Series 2009 Revenue Bonds had an unamortized bond discount and issuance costs of $156,948 and $1,119,647 and $164,635 and $1,174,487, respectively, included in loans payable in the accompanying balance sheets.

Carnegie Hall has a revolving credit agreement which was amended and restated as of December 31, 2016 for $25,000,000 and terminating on December 31, 2019, when all amounts under the agreement are due. No amounts were outstanding at June 30, 2019. At June 30, 2018, the amount outstanding under the agreement was $3,834,606. The outstanding amount is recorded as a liability and included with loans payable in the accompanying balance sheets. The interest rate on the outstanding amount was approximately 2.66% at June 30, 2018. The fixed fee rate on the unused balance was 0.10% at June 30, 2019 and 2018. Interest and fees paid on the line of credit for the years ended June 30, 2019 and 2018 were $70,218 and $121,764, respectively. Carnegie Hall intends to renew the line of credit prior to December 31, 2019.

(Continued)

The line of credit agreement requires Carnegie Hall to meet certain financial covenants. At June 30, 2019, Carnegie Hall was in compliance with these financial covenants.

On September 5, 2019, Carnegie Hall issued $87,540,000 of Series 2019 Revenue Bonds. The proceeds, including a premium of $24,244,464 on the Series 2019 bonds, will be used to refund $110,000,000 of Series 2009 Revenue Bonds on December 1, 2019. The Series 2019 bonds were borrowed through the tax-exempt bonds issued by the Trust for Cultural Resources of the City of New York with maturity dates from December 1, 2020 through December 1, 2039. Interest on the bonds is payable each December 1 and June 1 at a fixed rate of 5%.

(8) Functional Classification of Expenses

Carnegie Hall excluded depreciation and amortization, interest, and pension nonservice cost from the functional expense categories in the statements of activities for the year ended June 30, 2019. Expenses are allocated based on time, effort, and usage and have been distributed to the functional areas of Carnegie Hall (CH) as follows:

	CH produced events and audience development	Hall operations	Real estate operations	Weill Music Institute education programs	Creative services, digital, and other	General and administration	Fund-raising	Total 2019	Total 2018
Salaries, wages and benefits	$ 8,297,995	17,737,932	4,515,264	3,836,369	2,142,400	8,330,159	3,605,501	48,465,620	47,207,193
Carnegie Hall Tower and rent expenses	—	—	9,520,785	—	—	—	—	9,520,785	10,750,267
Concert expenses	8,889,415	—	87,058	4,179,843	61,020	2,343	150,511	13,370,190	14,016,949
Advertising	—	—	—	—	—	4,243,852	—	4,243,853	4,789,493
Office expenses	298,859	1,011,418	369,222	447,465	75,547	420,826	443,154	3,066,491	3,009,297
Travel	521,547	10,396	4,861	2,290,304	4,952	62,558	60,192	2,954,810	2,441,556
Other operating expenses	1,064,452	1,070,318	2,093,393	1,131,741	592,648	885,153	1,464,464	8,302,169	7,415,702
Building operation costs	37,083	80,652	2,572,564	—	—	152,051	—	2,842,350	2,508,080
Professional services	251,246	29,343	1,105,379	558,335	889,425	2,346,303	271,708	5,451,739	4,252,746
Total operating expenses (excluding interest)	19,360,597	19,940,059	20,268,526	12,444,058	3,765,992	16,443,245	5,995,530	98,218,007	96,391,283
Interest	1,351,374	2,242,636	—	1,551,109	45,066	157,729	157,729	5,505,643	5,557,189
Total operating expenses	20,711,971	22,182,695	20,268,526	13,995,167	3,811,058	16,600,974	6,153,259	103,723,650	101,948,472
Depreciation and amortization	4,547,463	3,763,417	—	3,449,799	313,618	2,665,754	940,854	15,680,905	16,195,729
Pension nonservice cost	—	—	—	—	899,502	—	—	899,502	1,144,311
Total	$ 25,259,434	25,946,112	20,268,526	17,444,966	5,024,178	19,266,728	7,094,113	120,304,057	119,288,512

Carnegie Hall excluded depreciation and amortization, interest, and pension nonservice cost from the functional expense categories for the year ended June 30, 2018. The following provides the functional allocation including these amounts:

	Total expenses
Programs	$ 92,131,102
General and administrative	18,857,279
Fund-raising	8,300,131
Total	$ 119,288,512

(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, 2019 and 2018:

		2019	2018
Change in benefit obligation:			
Benefit obligation at beginning of year	$	45,405,901	44,243,884
Service cost		1,984,132	1,471,076
Interest cost		1,847,442	1,581,389
Actuarial loss (gain)		4,392,819	(1,776,300)
Benefits paid and estimated expenses		(1,444,355)	(114,148)
Benefit obligation at end of year		52,185,939	45,405,901
Change in plan assets:			
Fair value of plan assets at beginning of year		21,274,152	17,514,636
Actual return		1,181,017	1,429,231
Employer contributions		2,471,268	2,467,021
Benefits paid and actual expenses		(1,465,626)	(136,736)
Fair value of plan assets at end of year		23,460,811	21,274,152
Funded status	$	(28,725,128)	(24,131,749)

		2019	2018
Components of net periodic cost:			
Service cost	$	1,984,132	1,471,076
Interest cost		1,847,442	1,581,389
Expected return on plan assets		(1,393,402)	(1,067,111)
Other, net		445,462	630,033
Net periodic cost	$	2,883,634	2,615,387
Item not yet recognized as a component of net periodic benefit cost:			
Actuarial loss (gain)	$	4,181,013	(2,745,865)

(Continued)

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic benefit cost at June 30, 2019 and 2018 consist of actuarial losses of $13,296,657 and $9,115,644, respectively. In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2020 will include the amortization of the actuarial loss of $720,000.

The accumulated benefit obligation for the plan at June 30, 2019 and 2018 was $42,605,160 and $37,087,386, respectively.

	2019	**2018**
Weighted average assumptions used to determine benefit obligations:		
Discount rate	3.35 %	4.05 %
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	4.05 %	3.70 %
Expected return on plan assets	6.40	6.40
Rate of compensation increase	3.50	3.50

Carnegie Hall expects to contribute $4,564,000 to the plan in 2020. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2020	$ 4,108,000
2021	1,784,000
2022	2,385,000
2023	2,002,000
2024	1,954,000
2025–2029	11,952,000

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, 2019 and 2018:

	2019			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Common stocks	$ 2,729,687	2,729,687	—	—
Mutual funds	15,851,753	15,851,753	—	—
Group annuity contract	4,879,371	—	—	4,879,371
	$ 23,460,811	18,581,440	—	4,879,371

	2018			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Common stocks	$ 2,477,045	2,477,045	—	—
Mutual funds	12,736,409	12,736,409	—	—
Group annuity contract	6,060,698	—	—	6,060,698
	$ 21,274,152	15,213,454	—	6,060,698

Activity with respect to Level 3 plan assets for the years ended June 30, 2019 and 2018 was as follows:

	2019	**2018**
Balance at beginning of year	$ 6,060,698	5,947,462
Sales	(1,351,490)	(41,169)
Interest earned	170,163	154,405
Balance at end of year	$ 4,879,371	6,060,698

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, 2018 and 2017, which is for the plan years ended December 31, 2018 and 2017. The zone status is based on information that Carnegie Hall received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The expiration date of the collective bargaining agreement requiring contributions to the plan is August 31, 2021. The contributions by Carnegie Hall to the union pension fund were $418,795 and $419,142 for the years ended June 30, 2019 and 2018, 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 periodically reviewed by the Governance Committee of the Corporation.

(11) Net Assets

The composition of net assets with donor restrictions as of June 30, 2019 and 2018 is as follows:

		2019	2018
Artistic and educational programs	$	38,117,819	43,397,332
Annual fund – time restrictions		25,940,753	24,236,410
Endowment appreciation not appropriated for expenditure		110,098,139	117,170,727
Endowment corpus		193,684,114	193,134,467
	$	367,840,825	377,938,936

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 2019 and 2018, Carnegie Hall had a spending policy of appropriating for distribution 5% 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 $4,815,785 at June 30, 2019 and an original historic value of $5,000,000. The donor agreement permits the application of the spending policy on the underwater fund. There were no such deficiencies at June 30, 2018.

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, 2019 and 2018:

		With donor restrictions		
	Without donor restrictions	Original gift	Accumulated gains	Total
2019:				
Donor restricted	$ —	193,684,114	110,098,139	303,782,253
Board designated	7,373,084	—	—	7,373,084
Balance at June 30, 2019	$ 7,373,084	193,684,114	110,098,139	311,155,337

		With donor restrictions		
	Without donor restrictions	Original gift	Accumulated gains	Total
2018:				
Donor restricted	$ —	193,134,467	117,170,727	310,305,194
Board designated	7,544,773	—	—	7,544,773
Balance at June 30, 2018	$ 7,544,773	193,134,467	117,170,727	317,849,967

The following table presents the changes in endowment net assets for the years ended June 30, 2019 and 2018:

		With donor restrictions		
	Without donor restrictions	Original gift	Accumulated gains	Total
Balance at June 30, 2017	$ 7,408,272	187,520,043	111,637,591	306,565,906
Investment gain, net	491,031	—	19,828,606	20,319,637
Endowment spending	(354,530)	—	(14,295,470)	(14,650,000)
Contributions	—	5,614,424	—	5,614,424
Balance at June 30, 2018	7,544,773	193,134,467	117,170,727	317,849,967
Investment gain, net	195,068	—	8,035,655	8,230,723
Endowment spending	(366,757)	—	(15,108,243)	(15,475,000)
Contributions	—	549,647	—	549,647
Balance at June 30, 2019	$ 7,373,084	193,684,114	110,098,139	311,155,337