

**THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Vivian Beaumont Theater, Inc.
(d/b/a Lincoln Center Theater)

We have audited the accompanying financial statements of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 entity'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 entity'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 Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) (a not-for-profit corporation) as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Vivian Beaumont Theater, Inc.'s (d/b/a Lincoln Center Theater) (a not-for-profit corporation) 2017 financial statements, and our report dated October 25, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lotz + Carr, LLP

New York, New York
October 29, 2018

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
	Operating	Board- Designated	Total Unrestricted				
Assets							
Current Assets							
Cash and cash equivalents (Notes 1b and 4)	\$14,486,088	\$ -	\$14,486,088	\$ 8,401,982	\$ -	\$ 22,888,070	\$ 8,142,045
Unconditional promises to give (Notes 1c and 6)	841,412	-	841,412	1,062,500	-	1,903,912	2,315,888
Accounts receivable	1,138,443	-	1,138,443	-	-	1,138,443	910,143
Prepaid production costs and other current assets (Note 1f)	3,429,623	-	3,429,623	-	-	3,429,623	1,038,045
Restricted certificates of deposit (Note 4)	486,908	-	486,908	-	-	486,908	473,764
Investment redemption receivable	-	-	-	-	-	-	4,210,859
Total Current Assets	<u>20,382,474</u>	<u>-</u>	<u>20,382,474</u>	<u>9,464,482</u>	<u>-</u>	<u>29,846,956</u>	<u>17,090,744</u>
Non-Current Assets							
Unconditional promises to give (Notes 1c and 6)	-	-	-	961,398	-	961,398	1,226,855
Beneficial interest in charitable trust (Note 7)	-	-	-	1,256,574	-	1,256,574	1,219,885
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 8)	37,659,005	-	37,659,005	-	-	37,659,005	40,167,037
Investments (Notes 1d, 1e, 3 and 5)	<u>2,795,227</u>	<u>23,569,023</u>	<u>26,364,250</u>	<u>25,889,231</u>	<u>57,048,512</u>	<u>109,301,993</u>	<u>106,389,860</u>
Total Assets	<u>\$60,836,706</u>	<u>\$23,569,023</u>	<u>\$84,405,729</u>	<u>\$37,571,685</u>	<u>\$57,048,512</u>	<u>\$179,025,926</u>	<u>\$166,094,381</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
	Operating	Board-Designated				
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 3,629,174	\$ -	\$ 3,629,174	\$ -	\$ -	\$ 2,225,507
Advance box office sales (Note 1h)	10,624,861	-	10,624,861	-	-	1,174,045
Deferred membership fees (Notes 1h and 9)	698,102	-	698,102	-	-	698,808
Total Liabilities	14,952,137	-	14,952,137	-	-	4,098,360
Commitments and Contingency (Notes 5, 10, 11 and 12)						
Net Assets						
Operating	8,225,564	-	8,225,564	-	-	4,321,561
Property and equipment	37,659,005	-	37,659,005	-	-	40,167,037
Operating reserve (Note 2a-1)	-	4,700,000	4,700,000	-	-	4,700,000
Bernard Gersten LCT Productions Fund (Note 2a-2)	-	1,835,930	1,835,930	-	-	2,335,930
Quasi-endowment (Note 2a-3)	-	15,852,724	15,852,724	-	-	15,426,540
Temporarily restricted (Notes 2b and 2d)	-	-	-	11,682,454	-	13,126,145
Cash reserve (Note 2c-1)	-	-	-	296,480	941,307	1,204,506
Lila Acheson & DeWitt Wallace endowment (Note 2c-2)	-	-	-	22,330,689	45,324,387	65,836,184
Doris Duke Charitable Foundation endowment (Note 2c-3)	-	1,217,328	1,217,328	903,391	2,800,609	4,788,997
Other endowments (Note 2c-4)	-	(36,959)	(36,959)	2,358,671	7,982,209	10,089,121
Total Net Assets	45,884,569	23,569,023	69,453,592	37,571,685	57,048,512	161,996,021
Total Liabilities and Net Assets	\$60,836,706	\$23,569,023	\$84,405,729	\$37,571,685	\$57,048,512	\$166,094,381

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Unrestricted						Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
	Operating		Property and Equipment	Operating and Production Reserves	Quasi- Endowment	Total Unrestricted				
	Regular Program	Extended Program								
Changes in Net Assets										
Revenue, Gains and Public Support										
Box office revenue and admission fees	\$22,739,504	\$1,819,600	\$ -	\$ -	\$ -	\$24,559,104	\$ -	\$ -	\$ 24,559,104	\$ 19,381,702
Membership fees (Note 9)	1,450,205	-	-	-	-	1,450,205	-	-	1,450,205	1,416,972
Theater rental fees and surcharges	106,350	-	-	-	-	106,350	-	-	106,350	31,572
Share of Lincoln Center garage revenue and city funding for public areas (Note 11)	280,221	-	-	-	-	280,221	-	-	280,221	247,297
Royalties	8,297	443,454	-	-	-	451,751	-	-	451,751	126,349
Television and recording income	-	46,413	-	-	-	46,413	-	-	46,413	83,151
Set and costume sales and rentals	2,009	159,704	-	-	-	161,713	-	-	161,713	412,533
Merchandise and concession income	123,832	1,069	-	-	-	124,901	-	-	124,901	57,851
Miscellaneous revenue	88,579	-	-	-	-	88,579	-	-	88,579	131,709
Total from Earned Revenue	<u>24,798,997</u>	<u>2,470,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,269,237</u>	<u>-</u>	<u>-</u>	<u>27,269,237</u>	<u>21,889,136</u>
Interest and dividends										
Interest and dividends	150,782	-	-	83,946	198,229	432,957	970,443	-	1,403,400	1,292,670
Realized gain on investments, net of investment fees and expenses of \$707,847 (2018) and \$718,181 (2017)										
Realized gain on investments	294,500	-	-	341,043	805,325	1,440,868	3,907,658	-	5,348,526	5,334,248
Unrealized gain on investments	100,241	-	-	113,211	262,593	476,045	1,296,492	-	1,772,537	6,580,321
Endowment funds released by Board-approved spending allowance										
Endowment funds released by Board-approved spending allowance	4,558,638	-	-	-	(812,000)	3,746,638	(3,746,638)	-	-	-
Release and use of endowment funds designated for special purposes										
Release and use of endowment funds designated for special purposes	72,326	-	-	-	-	72,326	(72,326)	-	-	-
Total from Investments	<u>5,176,487</u>	<u>-</u>	<u>-</u>	<u>538,200</u>	<u>454,147</u>	<u>6,168,834</u>	<u>2,355,629</u>	<u>-</u>	<u>8,524,463</u>	<u>13,207,239</u>
Contributions										
Contributions	8,636,316	-	-	-	-	8,636,316	1,086,219	-	9,722,535	13,796,486
Gross revenue from fundraising benefits (Note 13)	2,400,165	-	-	-	-	2,400,165	-	-	2,400,165	2,412,432
Net assets released for fundraising benefits (Note 13)	500	-	-	-	-	500	(500)	-	-	-
Less: Direct costs of fundraising benefits (Note 13)	(265,835)	-	-	-	-	(265,835)	-	-	(265,835)	(166,105)
Gersten Fund contributions designated by Board for current year (Note 2a-2)	500,000	-	-	(500,000)	-	-	-	-	-	-
Net assets released from restrictions - satisfaction of time and use restrictions	2,713,698	-	-	-	-	2,713,698	(2,713,698)	-	-	-
Total from Public Support	<u>13,984,844</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>13,484,844</u>	<u>(1,627,979)</u>	<u>-</u>	<u>11,856,865</u>	<u>16,042,813</u>
Total Revenue, Gains and Public Support	43,960,328	2,470,240	-	38,200	454,147	46,922,915	727,650	-	47,650,565	51,139,188
Transfer for acquisition of property and equipment										
Transfer for acquisition of property and equipment	(101,592)	-	101,592	-	-	-	-	-	-	-
Transfer of investment return of operating and production reserves										
Transfer of investment return of operating and production reserves	538,200	-	-	(538,200)	-	-	-	-	-	-
Total Revenue, Gains and Public Support (carried forward)	<u>44,396,936</u>	<u>2,470,240</u>	<u>101,592</u>	<u>(500,000)</u>	<u>454,147</u>	<u>46,922,915</u>	<u>727,650</u>	<u>-</u>	<u>47,650,565</u>	<u>51,139,188</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Unrestricted					Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017	
	Operating		Property and Equipment	Operating and Production Reserves	Quasi- Endowment					Total Unrestricted
	Regular Program	Extended Program								
Changes in Net Assets (continued)										
Total Revenue, Gains and Public Support (brought forward)	\$44,396,936	\$2,470,240	\$ 101,592	\$ (500,000)	\$ 454,147	\$46,922,915	\$ 727,650	\$ -	\$ 47,650,565	\$ 51,139,188
Expenses										
Program Services										
Theatrical production and operations	24,019,107	1,295,916	-	-	-	25,315,023	-	-	25,315,023	24,559,930
Special artistic projects	774,441	113,902	-	-	-	888,343	-	-	888,343	617,920
Artistic management	2,403,514	-	-	-	-	2,403,514	-	-	2,403,514	2,216,798
Marketing, membership and outreach	1,846,379	-	-	-	-	1,846,379	-	-	1,846,379	1,646,117
Theater building operation	5,708,833	-	2,513,218 *	-	-	8,222,051	-	-	8,222,051	8,400,225
Total Program Services	34,752,274	1,409,818	2,513,218	-	-	38,675,310	-	-	38,675,310	37,440,990
Supporting Services										
Management and general	4,154,326	-	96,406 *	-	-	4,250,732	-	-	4,250,732	4,142,539
Fundraising	2,646,755	-	-	-	-	2,646,755	-	-	2,646,755	2,488,696
Total Supporting Services	6,801,081	-	96,406	-	-	6,897,487	-	-	6,897,487	6,631,235
Total Expenses	41,553,355	1,409,818	2,609,624 *	-	-	45,572,797	-	-	45,572,797	44,072,225
Increase (Decrease) in Net Assets	2,843,581	1,060,422	(2,508,032)	(500,000)	454,147	1,350,118	727,650	-	2,077,768	7,066,963
Net increase from operations of regular and extended programs combined	3,904,003									
Net assets, beginning of year	4,321,561		40,167,037	7,035,930	16,578,946	68,103,474	36,844,035	57,048,512	161,996,021	154,929,058
Net Assets, End of Year	\$8,225,564		\$37,659,005	\$ 6,535,930	\$17,033,093	\$69,453,592	\$37,571,685	\$57,048,512	\$164,073,789	\$161,996,021

* Depreciation expense

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 2,077,768	\$ 7,066,963
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	2,609,624	2,731,001
Net realized and unrealized (gain) on investments	(7,828,910)	(12,632,750)
(Increase) decrease in:		
Investment redemption receivable	4,210,859	-
Unconditional promises to give	677,433	1,402,933
Accounts receivable	(228,300)	(590,626)
Prepaid production costs and other current assets	(2,391,578)	60,932
Beneficial interest in charitable trust	(36,689)	(35,448)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,403,667	(659,217)
Advance box office sales	9,450,816	569,267
Deferred membership fees	(706)	123,466
Net Cash Provided (Used) By Operating Activities	<u>9,943,984</u>	<u>(1,963,479)</u>
Cash Flows From Investing Activities		
Purchase of restricted certificate of deposit	(13,144)	(4,021)
Purchase of property and equipment	(101,592)	(967,983)
Sale of investments	16,255,407	9,183,951
Purchase of investments	(11,338,630)	(10,529,874)
Investment in theatrical limited partnership	-	(275,000)
Net Cash Provided (Used) By Investing Activities	<u>4,802,041</u>	<u>(2,592,927)</u>
Net increase (decrease) in cash and cash equivalents	14,746,025	(4,556,406)
Cash and cash equivalents, beginning of year	<u>8,142,045</u>	<u>12,698,451</u>
Cash and Cash Equivalents, End of Year	<u>\$22,888,070</u>	<u>\$ 8,142,045</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Theater's primary exempt purpose is to promote the study, appreciation and advancement of theater and the performing arts among the general public.

The Theater's operations are divided into regular and extended programs. This division is made to make comparisons of annual operations more informative, since the activity of the extended program varies from year to year. The regular program consists of the activities for which the Theater seeks annual public support. The extended program consists of the operation of productions beyond their originally scheduled run of performances and the transfer of productions to other media.

1 - Regular Program

The 2018 regular program consisted of a season of productions at the Vivian Beaumont and Mitzi E. Newhouse Theaters at Lincoln Center (*Junk*, *The Wolves*, *Admissions*, and *My Fair Lady*) and a season of productions of the LCT3 program at the Claire Tow Theater at Lincoln Center (*After the Blast*, *Queens*, and *Pass Over*). The 2017 regular program consisted of *The Babylon Line*, *How to Transcend a Happy Marriage*, *Oslo*, *Pipeline*, *Falsettos*, *The Harvest*, *Bull in a China Shop*, and *Ghost Light*.

The Theater also sponsored various special artistic projects such as the Playwrights Program, the Directors Lab, commissions for new plays and operas, and the *Lincoln Center Theater Review*.

2 - Extended Program

The 2018 extended program consisted of the final two weeks of the extended run of *Oslo* at the Vivian Beaumont Theater, the three-week extended run of *Ghost Light* at the Claire Tow Theater, and the one-week extended run of *Admissions* at the Mitzi E. Newhouse Theater, as well as participation in the *Live from Lincoln Center* television recording of *Pipeline*. The 2017 extended program consisted of the one-week extended run of *Bull in a China Shop* at the Claire Tow Theater and the first two weeks of the extended run of *Oslo* at the Vivian Beaumont Theater.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Theater considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - **Organization and Summary of Significant Accounting Policies (continued)**

c - **Contributions and Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Theater, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of property, plant and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as temporarily restricted; the restrictions are considered to be released at the time such long-lived assets are placed into service.

The Theater uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

d - **Investments**

The Theater reflects investments at fair value in the statement of financial position. Investment income on investments is reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income that is restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the investment income is recognized.

Alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent as a practical expedient. Net asset value per share is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Theater reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

e - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Theater. Unobservable inputs reflect the Theater's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Theater has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 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.

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. Reporting entities that measure the fair value of an investment using the net asset value per share or its equivalent as a practical expedient are not required to be categorized within the fair value hierarchy.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

f - Production Costs

Theatrical production costs (net of designated contributions) are amortized using the straight-line method over the estimated remaining run of the production.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

g - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the useful life of the related asset.

h - Revenue Recognition

Box office revenue from theatrical productions is recognized as income when earned, that is, on the date of the performance. Advance box office sales represent unearned income from ticket sales and will be recognized as revenue when the future performance occurs. Membership fee revenue is deferred when received and recognized over the term of the membership.

i - Financial Statement Presentation

The Theater is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

j - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

k - Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs. Advertising expense for 2018 and 2017 was \$4,134,762 and \$4,593,753, respectively.

l - Tax Status

The Vivian Beaumont Theater, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

m - Subsequent Events

The Theater has evaluated subsequent events through October 29, 2018, the date that the financial statements are considered available to be issued.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

n - Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two net asset classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Theater is currently evaluating the impact of ASU 2016-14 on its 2019 financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Theater is currently evaluating the impact of ASU 2016-02 on its financial statements.

Note 2 - Restrictions on Assets

a - Board-Designated Net Assets

1 - Board-Designated Operating Reserve

The operating reserve was established to meet contingencies (such as funding reductions or emergency expenses) and as a reserve for future projects. Transfers of unrestricted funds to the operating reserve may be made by vote of the Board of Directors. All investment income and gains from the operating reserve may be used for current operations and any investment loss must be replaced from unrestricted funds. All or part of the principal may be expended by vote of the Board of Directors.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 2 - Restrictions on Assets (continued)

a - Board-Designated Net Assets (continued)

2 - Bernard Gersten LCT Productions Fund

Special contributions solicited in honor of Bernard Gersten's retirement as Founding Executive Producer were designated by the Board of Directors as the Bernard Gersten LCT Productions Fund and held in reserve to support future theatrical productions. Contributions reserved in this fund may be expended for such productions upon request of the Artistic Director and approval of the Executive Committee of the Board. Investment income and gains from this reserve fund may be used for current operations, and any investment loss must be replaced from unrestricted funds.

During the year ended June 30, 2018, \$500,000 was expended from this fund for the production of *My Fair Lady* at the Vivian Beaumont Theater.

3 - Board-Designated Quasi-Endowment

Transfers of unrestricted funds to the quasi-endowment may be made by vote of the Board of Directors. The principal may be borrowed for operations but must be repaid within two years. No amounts were borrowed during the fiscal years ended June 30, 2018 and 2017. Appropriations are made from the quasi-endowment to operations according to the spending policy applicable to endowment funds.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Future program and operations	\$10,251,231	\$11,862,405
Future capital expenditures	198,251	79,500
Accumulated endowment income and gains not yet appropriated for expenditure	25,505,651	23,325,082
Term endowment	383,580	392,808
Beneficial interest in charitable trust (Note 7)	<u>1,490,000</u>	<u>1,496,000</u>
	37,828,713	37,155,795
Less: Discount to present value	<u>(257,028)</u>	<u>(311,760)</u>
	<u>\$37,571,685</u>	<u>\$36,844,035</u>

Temporarily restricted net assets which are receivable and due after one year are discounted to net present value using discount rates of 0.5% to 1.5% per annum.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 2 - Restrictions on Assets (continued)

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of the following as of June 30:

1 - Cash Reserve

The permanently restricted cash reserve contains the National Endowment for the Arts (NEA) Challenge grant (and matching funds) designated for institutional stabilization. The principal may be borrowed for operations but must be repaid within two years. Subsequent to its initial grant, the NEA permitted the release from restriction of the amount of its grant at the Theater's discretion. The Theater continues to maintain the NEA's grant and matching funds as a permanent endowment fund (Note 3) which may be borrowed. No amounts were borrowed during the fiscal years ended June 30, 2018 and 2017. Investment income (or loss) from the cash reserve is appropriated to operations according to the general spending policy for endowment funds.

2 - Lila Acheson & DeWitt Wallace Endowment

The Lila Acheson & DeWitt Wallace endowment was established by an agreement dated April 30, 2001. The original fair market value of the Wallace endowment was recorded as \$56,655,483. In addition to the annual spending allowance, a "special contribution" of up to 20% of the original fair value of the Wallace endowment is allowed to be expended if two-thirds of the Theater's Board of Directors determines that an extraordinary need exists and the special contribution is matched two-to-one. For this reason, only 80% (\$45,324,387) of the original fair market value of the Wallace endowment is classified in these financial statements as permanently restricted, while the remainder is classified as temporarily restricted.

The Wallace endowment may be expended in accordance with the spending policy in effect for the Theater's other endowment funds, even if this spending policy reduces the value of the Wallace endowment below its original fair market value. The "annual contribution" derived from the application of the spending policy to the Wallace endowment must be used to support new works, new or touring productions, or educational and outreach programs.

3 - Doris Duke Charitable Foundation Endowment

The Duke endowment was established by a grant agreement between the Doris Duke Charitable Foundation and the Theater, in which the Duke Foundation made an endowment challenge grant of \$500,000 that was matched on a one-to-one cash basis by endowment funds raised or designated by the Theater.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 2 - Restrictions on Assets (continued)

c - Permanently Restricted Net Assets (continued)

3 - Doris Duke Charitable Foundation Endowment (continued)

The earnings on the Duke endowment are allowed to be expended in accordance with the general spending policy in effect for the Theater's other endowment funds (in no case greater than 6%), with expenditures solely for the Theater's artistic programming expenses.

4 - Other Endowments

The Theater's other endowments are subject to the general spending policy applicable to endowment funds, with the exception of certain endowments from which the investment income (or a donor-approved spending allowance) is restricted for special purposes.

Note 3 - Endowment Funds

The Theater's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Included as an endowment fund is a cash reserve fund designated as permanently restricted by the original donor (the National Endowment for the Arts), which is invested and used according to the same rules applicable to the permanent endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), the Theater classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Theater.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3 - Endowment Funds (continued)

In accordance with NYPMIFA, the Theater considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Theater and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Theater;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Theater; and
- (viii) the investment policy of the Theater

The Theater's endowment funds are summarized by type of fund and net asset classification as follows, with fair value of cash and investments as of June 30, 2018 and 2017:

	2018			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ (36,959)	\$25,889,231	\$57,048,512	\$82,900,784
Board-designated endowment funds	<u>17,070,052</u>	-	-	<u>17,070,052</u>
Total Endowment Funds	<u>\$17,033,093</u>	<u>\$25,889,231</u>	<u>\$57,048,512</u>	<u>\$99,970,836</u>

	2017			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ (32,218)	\$23,717,890	\$57,048,512	\$80,734,184
Board-designated endowment funds	<u>16,611,164</u>	-	-	<u>16,611,164</u>
Total Endowment Funds	<u>\$16,578,946</u>	<u>\$23,717,890</u>	<u>\$57,048,512</u>	<u>\$97,345,348</u>

The fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original endowment gift. A deficiency of this nature in the amount of \$36,959, with respect to one of the Theater's endowment funds, is reported in unrestricted net assets at June 30, 2018.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3 - Endowment Funds (continued)

Changes in the fair value of the cash and investments of the Theater's endowment funds for the years ended June 30, 2018 and 2017 are summarized as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	<u>\$16,578,946</u>	<u>\$23,717,890</u>	<u>\$57,048,512</u>	<u>\$97,345,348</u>
Investment Return:				
Interest and dividends	198,229	970,443	-	1,168,672
Realized capital gains, net of investment fees	805,325	3,907,658	-	4,712,983
Unrealized appreciation	<u>262,593</u>	<u>1,296,492</u>	-	<u>1,559,085</u>
Total Investment Return	<u>1,266,147</u>	<u>6,174,593</u>	-	<u>7,440,740</u>
Appropriation of endowment assets for expenditure	<u>(812,000)</u>	<u>(4,003,252)</u>	-	<u>(4,815,252)</u>
Endowment Funds, End of Year	<u>\$17,033,093</u>	<u>\$25,889,231</u>	<u>\$57,048,512</u>	<u>\$99,970,836</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	<u>\$15,161,665</u>	<u>\$17,438,048</u>	<u>\$57,298,512</u>	<u>\$89,898,225</u>
Investment Return:				
Interest and dividends	198,736	972,841	-	1,171,577
Realized capital gains, net of investment fees	883,106	4,283,451	-	5,166,557
Unrealized appreciation	<u>1,120,083</u>	<u>4,941,067</u>	-	<u>6,061,150</u>
Total Investment Return	<u>2,201,925</u>	<u>10,197,359</u>	-	<u>12,399,284</u>
Redesignation by donor of endowment to current use	-	<u>(52,031)</u>	<u>(250,000)</u>	<u>(302,031)</u>
Appropriation of endowment assets for expenditure	<u>(784,644)</u>	<u>(3,865,486)</u>	-	<u>(4,650,130)</u>
Endowment Funds, End of Year	<u>\$16,578,946</u>	<u>\$23,717,890</u>	<u>\$57,048,512</u>	<u>\$97,345,348</u>

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 3 - Endowment Funds (continued)

The Theater has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. The overall investment objective for the entire endowment portfolio is to maintain an average long-term total return, net of management fees, of at least 5% per year in excess of inflation (as measured by the Consumer Price Index). Actual returns in any given year may vary from this amount.

Under the Theater's investment policy, assets of all endowment funds (except those required by the donor to be invested in a separate account) are pooled together and divided, in a diversified and balanced portfolio, according to asset allocation guidelines defined and monitored by the Investment Committee of the Board of Directors, among various investment managers selected by the Investment Committee, each manager specializing in a particular asset class (such as equities, fixed income, or alternative investments). The objective of each investment manager is to maximize total return (without regard for current income or realized gains), with a level of risk appropriate to the respective asset class, and with the manager's performance evaluated against a benchmark index appropriate for each class (such as the Standard and Poors 500 for U.S. equities).

The Theater's general spending policy, applicable to most of its endowment funds, for the fiscal year ending June 30, 2018, was reviewed (according to the criteria established by NYPMIFA) by the Investment Committee of the Theater's Board of Directors, which concluded that 5% of the average fair value of endowment funds over the preceding five fiscal years would be released for expenditure. In establishing this policy, the Theater considered the long-term expected return on its endowment. Accordingly, over the long term, the Theater expects the current spending policy to allow its endowment assets to maintain their purchasing power. However, by explicit consent of the donors of the most substantial portions of the Theater's endowment (the Wallace endowment and the Duke endowment), these endowments may be expended according to this spending policy even if such expenditure (in combination with short-term investment loss) reduces the value of these assets below the value of the original endowment gifts.

Endowments established for special purposes are subject to spending policies that follow the Theater's general spending allowance (or a variation of it), or in some cases they require that total income and appreciated value (if any) in the current year be expended for the special purpose. In one case, the donor has specified an annual spending allowance (10%) that so far exceeds average annual investment return that it is apparent that the donor does not expect the value of the original gift to be maintained in perpetuity. This term endowment has therefore been classified as temporarily restricted rather than permanently restricted.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 4 - Restricted Certificates of Deposit and Concentration of Credit Risk

Restricted certificates of deposit (\$486,908 at June 30, 2018) are pledged as collateral for a salary bond under a security agreement with Actors' Equity Association. This amount was \$473,764 at June 30, 2017.

Cash and cash equivalents consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Bank accounts	\$ 3,296,154	\$2,613,420
Money market funds	<u>19,591,916</u>	<u>5,528,625</u>
	<u>\$22,888,070</u>	<u>\$8,142,045</u>

Bank accounts and certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each financial institution. At June 30, 2018, the Theater maintains balances in excess of insured limits. However, the Theater monitors its concentration of credit risk on a regular basis.

Money market funds are not insured by the FDIC and only insured by the Securities Investor Protection Corporation (SIPC).

Note 5 - Investments

The following summarizes the Theater's investments at June 30, 2018 and 2017:

	<u>2018</u>			<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>
Marketable debt and equity securities	\$ 144,249	\$ 146,745	\$ 146,745	\$ 142,915	\$ 150,658	\$ 150,659
Mutual fund - mixed asset classes	8,166,870	8,200,057	8,200,057	10,827,960	10,771,066	10,771,066
Mutual fund - short-term treasury	2,073,124	2,032,233	2,032,233	2,039,206	2,034,933	2,034,933
Cash awaiting investment	-	-	-	5,000,000	5,000,000	5,000,000
Total Assets in Fair Value Hierarchy	<u>10,384,243</u>	<u>10,379,035</u>	<u>10,379,035</u>	<u>18,010,081</u>	<u>17,956,657</u>	<u>17,956,658</u>
Alternative Investments						
Investment fund - U.S. equities	26,348,270	35,885,514		22,285,833	31,242,817	
Investment funds - non-U.S. equities	19,678,862	25,284,461		19,635,547	23,157,506	
Investment fund - bank loans	3,500,000	3,414,549		3,500,000	3,389,400	
Hedge funds	29,027,318	30,952,559		23,495,453	26,191,244	
Private equity funds	631,152	2,261,323		1,474,192	2,649,146	
Private equity - distressed opportunities	-	1,124,552		29,144	1,803,090	
Total Investments Measured at Net Asset Value	<u>79,185,602</u>	<u>98,922,958</u>		<u>70,420,169</u>	<u>88,433,203</u>	
Total Investments	<u>\$89,569,845</u>	<u>\$109,301,993</u>	<u>\$10,379,035</u>	<u>\$88,430,250</u>	<u>\$106,389,860</u>	<u>\$17,956,658</u>

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 5 - Investments (continued)

The Theater has committed to invest a total of \$11,500,000 in private equity limited partnerships which make periodic capital calls. As of June 30, 2018, the Theater had made investments totaling approximately \$9,058,000 leaving an outstanding commitment of approximately \$2,442,000.

At June 30, 2018, concentrations of the Theater's investments in excess of 10% of the fair value of its portfolio included approximately 48% invested in two investment funds. Each of these investments is in a fund of funds or an investment fund with a diversified portfolio of underlying investments, with no significant concentrations in any single holding.

The terms of redemption of alternative investments valued using the net asset value are as follows:

	<u>2018</u>	<u>2017</u>
Hedge Funds and Investment Funds:		
Daily redemption with no notice	\$ 1,952,993	\$ 1,780,666
Weekly redemption with two-week notice	1,817,005	1,621,866
Monthly redemption with two-week notice	17,050,763	15,480,354
Monthly redemption with thirty days notice	7,878,249	7,664,020
Monthly redemption with 120 days notice	-	4,301,650
Quarterly redemption with sixty days notice	38,977,182	31,242,817
Quarterly redemption with sixty days notice and one-year lockup	-	3,123,107
Quarterly redemption with sixty-five days notice	4,897,528	-
Quarterly redemption with ninety days notice	-	3,866,559
Semi-annual redemption with sixty days notice	7,740,568	-
Annual redemption with sixty days notice	-	4,483,188
Annual redemption with ninety-five days notice	11,129,926	10,416,740
In process of liquidation	<u>4,092,869</u>	<u>-</u>
	95,537,083	83,980,967
Private Equity Funds:		
No opportunity for redemption; distributions made only at fund's discretion	<u>3,385,875</u>	<u>4,452,236</u>
	<u>\$98,922,958</u>	<u>\$88,433,203</u>

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 5 - Investments (continued)

The following are descriptions of the investment strategies of these alternative investments:

Investment Fund - U.S. Equities

This fund invests primarily in major U.S. equity securities, with the objective of a return greater than the Standard and Poors 500 Index.

Investment Funds - Non-U.S. Equities

These funds invest primarily in non-U.S. equity securities, with respective concentrations on developed and emerging markets.

Investment Fund - Bank Loans

This fund invests principally in bank loans and other high-yield debt instruments.

Hedge Funds

These funds (and their underlying hedge funds) invest in equity, fixed income, and derivative instruments and vary their investment strategies in response to changing market opportunities.

Private Equity Funds

These funds invest in a diversified group of underlying private equity funds, which focus their investments on venture capital start-up opportunities or companies that are in liquidation and reorganization.

Private Equity - Distressed Opportunities

This fund invests in a diversified group of underlying private equity funds, which invest in debt, equity, or other securities and obligations of misvalued, leveraged, or financially distressed companies.

Based on information provided by the investment fund manager, the Theater expects that the remaining life of the nonredeemable private equity funds is between one to five years.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 6 - Unconditional Promises to Give

Unconditional promises to give are due as follows as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Year Ending June 30,</u>			
2019	\$841,412	\$1,062,500	\$1,903,912
2020	-	660,000	660,000
2021	-	275,000	275,000
2022	-	25,000	25,000
2023	-	<u>25,000</u>	<u>25,000</u>
	<u>841,412</u>	<u>2,047,500</u>	<u>2,888,912</u>
Less: Discount to present value	<u>-</u>	<u>(23,602)</u>	<u>(23,602)</u>
	<u><u>\$841,412</u></u>	<u><u>\$2,023,898</u></u>	<u><u>\$2,865,310</u></u>

Uncollectible promises to give are expected to be insignificant. Unconditional promises to give which are due after one year are discounted to net present value using discount rates of 0.5% to 1.5% per annum.

Note 7 - Beneficial Interest in Charitable Trust

During the year ended June 30, 2011, a donor established a charitable trust at a financial institution naming the Theater as the beneficiary. Under the terms of the trust, the Theater is to receive annual distributions of \$6,000. Upon the death of the donor, the Theater will receive a distribution of \$1,490,000. Based on donor and beneficiary life expectancy and the use of a 3.5% long-term discount rate, the present value of future benefits expected to be received was recognized as a temporarily restricted contribution. At June 30, 2018, the present value of the interest in the charitable trust, considered Level 3 in the fair value hierarchy, was \$1,256,574.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Leasehold improvements	10-25 years	\$68,623,521	\$68,623,521
Furniture, fixtures and equipment	5-15 years	<u>3,503,930</u>	<u>3,402,338</u>
		72,127,451	72,025,859
Less: Accumulated depreciation		<u>(34,468,446)</u>	<u>(31,858,822)</u>
		<u>\$37,659,005</u>	<u>\$40,167,037</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,609,624 and \$2,731,001, respectively.

Note 9 - Deferred Membership Fees

Under the Theater's membership program, the payment of an annual membership fee at any time entitles a member to purchase a discounted ticket to each of the Theater's productions during the next twelve months. Accordingly, membership revenue is amortized monthly over the year following the receipt of the membership fee. During the year ended June 30, 2018, \$1,450,205 in membership fees were recognized as income. At June 30, 2018, \$698,102 in unamortized fees remained deferred. These amounts were \$1,416,972 and \$698,808, respectively, in 2017.

Note 10 - Commitments and Contingency

a - Certain management compensation is guaranteed by contract. As of June 30, 2018, the following remains to be paid:

<u>Year Ending June 30,</u>	
2019	\$1,194,595
2020	426,857

**THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 10 - Commitments and Contingency (continued)

- b - As of June 30, 2018, approximately 69% of total employee compensation was paid under collective bargaining agreements.
- c - The City of New York contributed \$2,551,400 in support of building renovations during the year ended June 30, 2004. In accepting the funds from the City, the Theater has agreed to a covenant guaranteeing the continued use of the facility as a not-for-profit cultural institution through December 31, 2019.

In the fiscal years ending June 30, 2018 and 2017, the City of New York spent \$3,988 and \$63,606, respectively, relating to the ADA Renovations and Alarm System Project (construction in progress). The City's investment of capital funding obligated the Theater to operate the facility for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, or artistic uses and/or related purposes approved by the City.

- d - Government supported programs are subject to audit by the granting agency.

Note 11 - Lincoln Center for the Performing Arts, Inc.

The Theater leases the Lincoln Center Theater building (containing the Vivian Beaumont, Mitzi E. Newhouse, and Claire Tow Theaters, as well as offices, rehearsal and dressing rooms, and other support spaces) from Lincoln Center for the Performing Arts, Inc. (Lincoln Center) under a twenty-five year agreement dated as of January 1, 2008, with an option to extend the lease for an additional twenty-four year term. This lease is a renewal, with revisions, of the original lease dated as of July 1, 1980. No lease payments are required; however, the Theater is responsible for maintenance and operation of the building and its share of the cost of maintaining and operating the common facilities of Lincoln Center (in lieu of rent). Common facilities costs amounted to \$1,060,203 (2018) and \$1,078,816 (2017).

The Theater also shares in Lincoln Center's Corporate Fund (\$368,849 in 2018) and receives a portion of underground garage revenue (\$235,455) and New York City funding (\$44,766) in exchange for its sharing in the maintenance of the Lincoln Center public areas. These amounts were \$345,340, \$203,808 and \$43,489 in 2017, respectively.

**THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 11 - Lincoln Center for the Performing Arts, Inc. (continued)

One member of the Board of Directors of the Theater is also a director of Lincoln Center for the Performing Arts, Inc.

Note 12 - Pension and Other Benefit Plans

- a - The Theater participates in a multiple-employer defined benefit pension plan with Lincoln Center and other organizations affiliated with Lincoln Center, which covers its full-time non-union administrative staff hired on or before June 30, 2017. Under a modification of the plan adopted as of June 30, 2017, employees hired after that date are not eligible to participate in the plan, but employees hired on or before that date will continue to participate in the plan and accrue additional benefits. The Theater made contributions of \$640,929 and \$237,184 to fund pension obligations in the years ended June 30, 2018 and 2017, respectively.
- b - The Theater contributes to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:
- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
 - If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
 - If the Theater chooses to stop participating in some of its multiemployer plans, the Theater may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 12 - Pension and Other Benefit Plans (continued)

b - (continued)

The Theater's participation in these plans is summarized below, including additional information for individually significant plans. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2018 and 2017 is for the plan's year-end at December 31, 2017 and December 31, 2016, respectively. The zone status is based on information that the Theater received from each plan and 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 "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject, as applicable.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Contributions of the Theater</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>		
Pension Fund of Local No. One, IATSE (Stage Employees)	13-6414973/001	Green	Green	N/A	\$ 414,939	\$232,095	No	June 28, 2020
Equity-League Pension Trust Fund (Actors and Stage Managers)	13-6696817/001	Green	Green	N/A	271,111	202,922	No	February 13, 2022
American Federation of Musicians and Employers' Pension Fund	51-6120204/001	Red	Red	Implemented	118,757	24,220	Yes	March 3, 2019
Pension Fund of Wardrobe Local 764, IATSE	13-6137855/001	Green	Green	N/A	58,015	28,426	No	November 29, 2020
League-ATPAM Pension Fund (Managers and Press Agents)	13-2928856/001	Green	Green	N/A	52,967	51,899	No	September 2, 2018
Treasurers and Ticket Sellers Local 751 Pension Fund	13-6164776/001	Green	Green	N/A	47,468	39,266	No	August 25, 2019
All other multiemployer plans - total of five other plans					<u>91,774</u>	<u>61,820</u>		
					<u>\$1,055,031</u>	<u>\$640,648</u>		

None of the Theater's contributions to the plans listed above is greater than 5% of the total plan contributions.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 13 - Fundraising Benefits

During each of the years ended June 30, 2018 and 2017, the Theater held fundraising benefits. The following reflects the activity from these events:

	2018	2017
Gross revenue	\$2,400,665	\$2,430,115
Less: Direct costs	(265,835)	(166,105)
Indirect costs	(85,234)	(156,910)
Net	\$2,049,596	\$2,107,100

Direct costs of fundraising benefits reflect the estimated fair value of services (such as food and entertainment) which the donor received. Indirect costs are other costs of the benefit in addition to the fair value of services received by the donor.

Note 14 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

SUPPLEMENTARY INFORMATION



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Vivian Beaumont Theater, Inc.
(d/b/a Lincoln Center Theater)

We have audited the financial statements of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) as of and for the year ended June 30, 2018, and our report thereon dated October 29, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2018 with comparative totals for 2017 and the Schedules of Operating Expenses (excluding Theatrical Production and Operations and Special Artistic Projects) for the years ended June 30, 2018 and 2017 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
October 29, 2018

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program Services						Supporting Services			2018	2017	
	Theatrical Production and Operations		Special Artistic Projects	Artistic Management	Marketing, Membership and Outreach	Theater Building Operation	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
	Regular Program	Extended Program										
Salaries	\$ 7,987,587	\$ 511,013	\$ 91,660	\$ 1,761,203	\$ 652,959	\$ 498,918	\$11,503,340	\$ 2,367,391	\$ 1,101,246	\$3,468,637	\$14,971,977	\$12,405,070
Employee benefits and payroll taxes	3,826,179	249,692	41,102	642,311	274,204	207,206	5,240,694	784,515	401,118	1,185,633	6,426,327	4,782,324
Total Salaries, Employee Benefits and Payroll Taxes	11,813,766	760,705	132,762	2,403,514	927,163	706,124	16,744,034	3,151,906	1,502,364	4,654,270	21,398,304	17,187,394
Physical production (scenery, costumes, etc.)	2,333,887	-	2,098	-	-	-	2,335,985	-	-	-	2,335,985	2,111,397
Production take-in and take-out	1,876,835	207,149	-	-	-	-	2,083,984	-	-	-	2,083,984	2,686,557
Artists' fees	614,689	-	64,700	-	-	-	679,389	-	-	-	679,389	866,679
Royalties	1,082,574	145,140	-	-	-	-	1,227,714	-	-	-	1,227,714	1,027,107
Advertising and publicity (net of reimbursements)	3,950,711	84,545	421	-	96,781	-	4,132,458	-	2,304	2,304	4,134,762	4,593,753
Theatrical equipment rentals	926,444	46,700	-	-	-	-	973,144	-	-	-	973,144	788,907
Theatrical departmental expenses	392,917	23,273	2,741	-	-	-	418,931	-	-	-	418,931	379,367
Miscellaneous theatrical expenses	1,027,284	28,404	70,335	-	-	-	1,126,023	-	-	-	1,126,023	1,016,885
Publications, recordings, seminars and special projects	-	-	615,286	-	620,164	-	1,235,450	-	-	-	1,235,450	889,045
Theater rent and rented theater expenses	-	-	-	-	-	-	-	-	-	-	-	2,304,533
Utilities	-	-	-	-	-	723,517	723,517	-	-	-	723,517	666,806
Lincoln Center shared costs	-	-	-	-	-	1,060,203	1,060,203	-	-	-	1,060,203	1,078,816
Building security	-	-	-	-	-	531,735	531,735	-	-	-	531,735	406,651
Building maintenance	-	-	-	-	-	2,406,049	2,406,049	-	-	-	2,406,049	2,821,457
Insurance	-	-	-	-	-	291,917	291,917	56,484	-	56,484	348,401	336,347
Building costs charged to outside tenants	-	-	-	-	-	(42,359)	(42,359)	-	-	-	(42,359)	(32,728)
Professional fees and consulting	-	-	-	-	8,400	-	8,400	277,720	-	277,720	286,120	264,443
Membership services	-	-	-	-	186,774	-	186,774	-	-	-	186,774	157,744
Interest expense, taxes and bank charges	-	-	-	-	-	-	-	20,022	-	20,022	20,022	13,126
Fundraising event expenses (including indirect benefit costs, Note 13)	-	-	-	-	-	-	-	-	1,008,018	1,008,018	1,008,018	898,139
Office services and expenses	-	-	-	-	3,521	-	3,521	183,235	105,779	289,014	292,535	266,045
Telecommunications	-	-	-	-	-	-	-	75,912	-	75,912	75,912	69,571
Meetings, travel and entertainment	-	-	-	-	3,576	-	3,576	96,487	28,290	124,777	128,353	97,063
Postage, dues, supplies and materials	-	-	-	-	-	-	-	185,802	-	185,802	185,802	280,073
Office equipment rental and maintenance	-	-	-	-	-	-	-	102,133	-	102,133	102,133	120,671
Licenses, permits, etc.	-	-	-	-	-	-	-	4,625	-	4,625	4,625	12,050
Storage and warehouse	-	-	-	-	-	31,647	31,647	-	-	-	31,647	33,326
Total expenses before depreciation	24,019,107	1,295,916	888,343	2,403,514	1,846,379	5,708,833	36,162,092	4,154,326	2,646,755	6,801,081	42,963,173	41,341,224
Depreciation	-	-	-	-	-	2,513,218	2,513,218	96,406	-	96,406	2,609,624	2,731,001
Total Expenses, 2018	<u>\$24,019,107</u>	<u>\$1,295,916</u>	<u>\$888,343</u>	<u>\$ 2,403,514</u>	<u>\$ 1,846,379</u>	<u>\$8,222,051</u>	<u>\$38,675,310</u>	<u>\$ 4,250,732</u>	<u>\$ 2,646,755</u>	<u>\$6,897,487</u>	<u>\$45,572,797</u>	
Total Expenses, 2017	<u>\$23,677,038</u>	<u>\$ 882,892</u>	<u>\$617,920</u>	<u>\$ 2,216,798</u>	<u>\$ 1,646,117</u>	<u>\$8,400,225</u>	<u>\$37,440,990</u>	<u>\$ 4,142,539</u>	<u>\$ 2,488,696</u>	<u>\$6,631,235</u>		<u>\$44,072,225</u>

See independent auditors' report on supplementary information.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

**SCHEDULES OF OPERATING EXPENSES (EXCLUDING THEATRICAL
PRODUCTION AND OPERATIONS AND SPECIAL ARTISTIC PROJECTS)**

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Salaries	\$ 6,381,717	\$ 6,158,626
Employee benefits and payroll taxes	2,309,354	1,857,606
Total Salaries, Employee Benefits and Payroll Taxes	<u>8,691,071</u>	<u>8,016,232</u>
Advertising and publicity	99,085	76,449
Publications, recordings, seminars, and special projects	620,164	581,093
Utilities	723,517	666,806
Lincoln Center shared costs	1,060,203	1,078,816
Building security	531,735	406,651
Building maintenance	2,406,049	2,821,457
Insurance	348,401	336,347
Building costs charged to outside tenants	(42,359)	(32,728)
Professional fees and consulting	286,120	264,443
Membership services	186,774	157,744
Interest expense and bank charges	20,022	13,126
Fundraising event expenses (including indirect benefit costs, Note 13)	1,008,018	898,139
Office services and expenses	292,535	266,045
Telecommunications	75,912	69,571
Meetings, travel and entertainment	128,353	97,063
Postage, dues, stationery and supplies	185,802	280,073
Office equipment rental and maintenance	102,133	120,671
Licenses, permits, etc.	4,625	12,050
Storage and warehouse	<u>31,647</u>	<u>33,326</u>
Total expenses before depreciation	16,759,807	16,163,374
Depreciation	<u>2,609,624</u>	<u>2,731,001</u>
Total	<u>\$19,369,431</u>	<u>\$18,894,375</u>

See independent auditors' report on supplementary information.