

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater
Supporting Foundation)

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2017

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Vivian Beaumont Theater, Inc.
(d/b/a Lincoln Center Theater) and
The Board of Trustees of
The 2002 Lincoln Center Theater Supporting Foundation

We have audited the accompanying financial statements of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) (a not-for-profit corporation) (combined with The 2002 Lincoln Center Theater Supporting Foundation, a charitable trust), which comprise the statement of financial position as of June 30, 2017, 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) (combined with The 2002 Lincoln Center Theater Supporting Foundation, a charitable trust) as of June 30, 2017, 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) (combined with The 2002 Lincoln Center Theater Supporting Foundation, a charitable trust) 2016 financial statements, and our report dated October 25, 2016, 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, 2016, 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 25, 2017

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
 (combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | <u>The Vivian Beaumont Theater, Inc.</u> | | | | | <u>The 2002 Lincoln Center Theater Supporting Foundation</u> | <u>Total 2017</u> | <u>Total 2016</u> |
|---|--|------------------------------|---------------------|-----------------------------------|-----------------------------------|--|-----------------------|-----------------------|
| | <u>Unrestricted</u> | | | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | | | |
| | <u>Operating</u> | <u>Board- Designated</u> | <u>Total</u> | | | | | |
| Assets | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents (Notes 1b and 4) | \$ 3,373,499 | \$ - | \$ 3,373,499 | \$ 4,768,546 | \$ - | \$ - | \$ 8,142,045 | \$ 12,698,451 |
| Investment redemption receivable | - | - | - | 4,210,859 | - | - | 4,210,859 | - |
| Unconditional promises to give (Notes 1c and 6) | 615,888 | - | 615,888 | 1,700,000 | - | - | 2,315,888 | 3,565,477 |
| Accounts receivable | 910,143 | - | 910,143 | - | - | - | 910,143 | 319,517 |
| Prepaid production costs and other current assets (Note 1f) | 1,038,045 | - | 1,038,045 | - | - | - | 1,038,045 | 1,098,977 |
| Restricted certificates of deposit (Note 4) | 473,764 | - | 473,764 | - | - | - | 473,764 | 469,743 |
| Total Current Assets | <u>6,411,339</u> | <u>-</u> | <u>6,411,339</u> | <u>10,679,405</u> | <u>-</u> | <u>-</u> | <u>17,090,744</u> | <u>18,152,165</u> |
| Non-Current Assets | | | | | | | | |
| Unconditional promises to give (Notes 1c and 6) | - | - | - | 1,226,855 | - | - | 1,226,855 | 1,380,199 |
| Beneficial interest in charitable trust (Note 7) | - | - | - | 1,219,885 | - | - | 1,219,885 | 1,184,437 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 8) | 40,167,037 | - | 40,167,037 | - | - | - | 40,167,037 | 41,930,055 |
| Investments (Notes 1d, 1e, 3 and 5) | <u>2,008,582</u> | <u>23,614,876</u> | <u>25,623,458</u> | <u>23,717,890</u> | <u>57,048,512</u> | <u>-</u> | <u>106,389,860</u> | <u>100,424,871</u> |
| Total Assets | <u>\$48,586,958</u> | <u>\$23,614,876</u> | <u>\$72,201,834</u> | <u>\$36,844,035</u> | <u>\$57,048,512</u> | <u>\$ -</u> | <u>\$166,094,381</u> | <u>\$163,071,727</u> |

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | The Vivian Beaumont Theater, Inc. | | | | The 2002 Lincoln Center Theater Supporting Foundation | Total 2017 | Total 2016 |
|--|-----------------------------------|----------------------|---------------------|---------------------------|---|-----------------------|----------------------|
| | Unrestricted | Board- Designated | Total | Temporarily Restricted | | | |
| | Operating | | | | | | |
| Liabilities and Net Assets | | | | | | | |
| Current Liabilities | | | | | | | |
| Accounts payable and accrued expenses | \$ 2,225,507 | \$ - | \$ 2,225,507 | \$ - | \$ - | \$ 2,225,507 | \$ 2,884,724 |
| Advance box office sales (Note 1h) | 1,174,045 | - | 1,174,045 | - | - | 1,174,045 | 604,778 |
| Deferred membership fees (Notes 1h and 9) | 698,808 | - | 698,808 | - | - | 698,808 | 575,342 |
| Total Liabilities | 4,098,360 | - | 4,098,360 | - | - | 4,098,360 | 4,064,844 |
| Commitments and Contingency (Notes 5, 10, 11 and 12) | | | | | | | |
| Net Assets | | | | | | | |
| Operating | 4,321,561 | - | 4,321,561 | - | - | 4,321,561 | 5,422,709 |
| Property and equipment | 40,167,037 | - | 40,167,037 | - | - | 40,167,037 | 41,930,055 |
| Operating reserve (Note 2a-1) | - | 4,700,000 | 4,700,000 | - | - | 4,700,000 | 4,700,000 |
| Bernard Gersten LCT Productions Fund (Note 2a-2) | - | 2,335,930 | 2,335,930 | - | - | 2,335,930 | 2,835,930 |
| Quasi-endowment (Note 2a-3) | - | 15,426,540 | 15,426,540 | - | - | 15,426,540 | 14,188,988 |
| Temporarily restricted (Notes 2b and 2d) | - | - | - | 13,126,145 | - | 13,126,145 | 14,219,964 |
| Cash reserve (Note 2c-1) | - | - | - | 263,199 | 941,307 | 1,204,506 | 1,107,855 |
| Lila Acheson & DeWitt Wallace endowment (Note 2c-2) | - | - | - | 20,511,797 | 45,324,387 | 65,836,184 | 60,554,333 |
| Doris Duke Charitable Foundation endowment (Note 2c-3) | - | 1,184,624 | 1,184,624 | 803,764 | 2,800,609 | 4,788,997 | 4,405,123 |
| Other endowments (Note 2c-4) | - | (32,218) | (32,218) | 2,139,130 | 7,982,209 | 10,089,121 | 9,641,926 |
| Total Net Assets | 44,488,598 | 23,614,876 | 68,103,474 | 36,844,035 | 57,048,512 | 161,996,021 | 159,006,883 |
| Total Liabilities and Net Assets | \$48,586,958 | \$23,614,876 | \$72,201,834 | \$36,844,035 | \$57,048,512 | \$ 166,094,381 | \$163,071,727 |

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | The Vivian Beaumont Theater, Inc. | | | | | | | The 2002 Lincoln Center Theater Supporting Foundation (Note 2d) | Total 2017 | Total 2016 | |
|---|-----------------------------------|----------------------------------|------------------------------|---|---------------------|-------------------|---------------------------|--|--------------------|-------------------|---------------------------|
| | Unrestricted | | | | | | Temporarily Restricted | | | | Permanently Restricted |
| | Operating Regular Program | Operating Extended Program | Property and Equipment | Operating and Production Reserves | Quasi- Endowment | Total | | | | | |
| Changes in Net Assets | | | | | | | | | | | |
| Revenue, Gains and Public Support | | | | | | | | | | | |
| Box office revenue and admission fees | \$17,870,455 | \$1,511,247 | \$ - | \$ - | \$ - | \$19,381,702 | \$ - | \$ - | \$ - | \$ 19,381,702 | \$ 36,995,400 |
| Membership fees (Note 9) | 1,416,972 | - | - | - | - | 1,416,972 | - | - | - | 1,416,972 | 1,342,037 |
| Theater rental fees and surcharges | 31,572 | - | - | - | - | 31,572 | - | - | - | 31,572 | 13,525 |
| Share of Lincoln Center garage revenue and city funding for public areas (Note 11) | 247,297 | - | - | - | - | 247,297 | - | - | - | 247,297 | 304,657 |
| Royalties | 25,000 | 101,349 | - | - | - | 126,349 | - | - | - | 126,349 | 63,122 |
| Television and recording income | - | 83,151 | - | - | - | 83,151 | - | - | - | 83,151 | 5,750 |
| Set and costume sales and rentals | 3,508 | 409,025 | - | - | - | 412,533 | - | - | - | 412,533 | 518 |
| Merchandise and concession income | 54,577 | 3,274 | - | - | - | 57,851 | - | - | - | 57,851 | 255,117 |
| Miscellaneous revenue | 129,526 | 2,183 | - | - | - | 131,709 | - | - | - | 131,709 | 245,310 |
| Total from Earned Revenue | 19,778,907 | 2,110,229 | - | - | - | 21,889,136 | - | - | - | 21,889,136 | 39,225,436 |
| Interest and dividends | 24,617 | - | - | 96,476 | 198,736 | 319,829 | 972,841 | - | 32,233 | 1,324,903 | 1,395,826 |
| Realized gain (loss) on investments, net of investment fees and expenses of \$718,181 (2017) and \$832,856 (2016) | (261,012) | - | - | 428,703 | 883,106 | 1,050,797 | 4,283,451 | - | (50,006) | 5,284,242 | 4,707,433 |
| Unrealized gain (loss) on investments | 16,768 | - | - | 502,403 | 1,120,083 | 1,639,254 | 4,941,067 | - | (54,882) | 6,525,439 | (12,215,800) |
| Endowment funds released by Board-approved spending allowance | 4,398,118 | - | - | - | (784,644) | 3,613,474 | (3,613,474) | - | - | - | - |
| Release and use of endowment funds designated for special purposes | 71,259 | - | 97,523 | - | - | 168,782 | (168,782) | - | - | - | - |
| Total from Investments | 4,249,750 | - | 97,523 | 1,027,582 | 1,417,281 | 6,792,136 | 6,415,103 | - | (72,655) | 13,134,584 | (6,112,541) |
| Contributions | 8,272,776 | - | 55,372 | - | - | 8,328,148 | 5,468,338 | - | (4,000,000) | 9,796,486 | 12,804,864 |
| Gross revenue from fundraising benefits (Note 13) | 2,412,432 | - | - | - | - | 2,412,432 | - | - | - | 2,412,432 | 1,782,025 |
| Net assets released for fundraising benefits (Note 13) | 17,683 | - | - | - | - | 17,683 | (17,683) | - | - | - | - |
| Less: Direct costs of fundraising benefits (Note 13) | (166,105) | - | - | - | - | (166,105) | - | - | - | (166,105) | (247,995) |
| 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 and redesignation by donor of permanently restricted contribution (Note 2b) | 2,036,822 | - | 815,088 | - | - | 2,851,910 | (2,601,910) | (250,000) | - | - | - |
| Total from Public Support | 13,073,608 | - | 870,460 | (500,000) | - | 13,444,068 | 2,848,745 | (250,000) | (4,000,000) | 12,042,813 | 14,338,894 |
| Total Revenue, Gains and Public Support | 37,102,265 | 2,110,229 | 967,983 | 527,582 | 1,417,281 | 42,125,340 | 9,263,848 | (250,000) | (4,072,655) | 47,066,533 | 47,451,789 |
| Transfer of investment return of operating and production reserves | 1,027,582 | - | - | (1,027,582) | - | - | - | - | - | - | - |
| Total Revenue, Gains and Public Support (carried forward) | 38,129,847 | 2,110,229 | 967,983 | (500,000) | 1,417,281 | 42,125,340 | 9,263,848 | (250,000) | (4,072,655) | 47,066,533 | 47,451,789 |

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | The Vivian Beaumont Theater, Inc. | | | | | | Temporarily Restricted | Permanently Restricted | The 2002 Lincoln Center Theater Supporting Foundation (Note 2d) | Total 2017 | Total 2016 |
|--|-----------------------------------|----------------------------------|------------------------------|---|---------------------|---------------------|---------------------------|---------------------------|--|----------------------|----------------------|
| | Unrestricted | | | | | | | | | | |
| | Operating Regular Program | Operating Extended Program | Property and Equipment | Operating and Production Reserves | Quasi- Endowment | Total | | | | | |
| Changes in Net Assets (continued) | | | | | | | | | | | |
| Total Revenue, Gains and Public Support (brought forward) | \$38,129,847 | \$2,110,229 | \$ 967,983 | \$ (500,000) | \$ 1,417,281 | \$42,125,340 | \$ 9,263,848 | \$ (250,000) | \$ (4,072,655) | \$ 47,066,533 | \$ 47,451,789 |
| Expenses | | | | | | | | | | | |
| Program Services | | | | | | | | | | | |
| Theatrical production and operations | 23,677,038 | 882,892 | - | - | - | 24,559,930 | - | - | - | 24,559,930 | 39,715,938 |
| Special artistic projects | 617,920 | - | - | - | - | 617,920 | - | - | - | 617,920 | 709,452 |
| Artistic management | 2,216,798 | - | - | - | - | 2,216,798 | - | - | - | 2,216,798 | 2,180,897 |
| Marketing, membership and outreach | 1,646,117 | - | - | - | - | 1,646,117 | - | - | - | 1,646,117 | 1,627,503 |
| Theater building operation | 5,890,003 | - | 2,510,222 | - | - | 8,400,225 | - | - | - | 8,400,225 | 8,157,825 |
| Total Program Services | 34,047,876 | 882,892 | 2,510,222 | - | - | 37,440,990 | - | - | - | 37,440,990 | 52,391,615 |
| Supporting Services | | | | | | | | | | | |
| Management and general | 3,921,760 | - | 220,779 | - | - | 4,142,539 | - | - | 5,170 | 4,147,709 | 4,073,814 |
| Fundraising | 2,488,696 | - | - | - | - | 2,488,696 | - | - | - | 2,488,696 | 2,296,994 |
| Total Supporting Services | 6,410,456 | - | 220,779 | - | - | 6,631,235 | - | - | 5,170 | 6,636,405 | 6,370,808 |
| Total Expenses | 40,458,332 | 882,892 | 2,731,001 | - | - | 44,072,225 | - | - | 5,170 | 44,077,395 | 58,762,423 |
| Increase (Decrease) in Net Assets | (2,328,485) | 1,227,337 | (1,763,018) | (500,000) | 1,417,281 | (1,946,885) | 9,263,848 | (250,000) | (4,077,825) | 2,989,138 | (11,310,634) |
| Net decrease from operations of regular and extended programs combined | (1,101,148) | | | | | | | | | | |
| Net assets, beginning of year | 5,422,709 | | 41,930,055 | 7,535,930 | 15,161,665 | 70,050,359 | 27,580,187 | 57,298,512 | 4,077,825 | 159,006,883 | 170,317,517 |
| Net Assets, End of Year | <u>\$4,321,561</u> | | <u>\$40,167,037</u> | <u>\$ 7,035,930</u> | <u>\$16,578,946</u> | <u>\$68,103,474</u> | <u>\$36,844,035</u> | <u>\$57,048,512</u> | <u>\$ -</u> | <u>\$161,996,021</u> | <u>\$159,006,883</u> |

* Depreciation expense

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|-----------------------------|
| Cash Flows From Operating Activities | | |
| Increase (decrease) in net assets | \$ 2,989,138 | \$(11,310,634) |
| Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities: | | |
| Depreciation | 2,731,001 | 2,743,409 |
| Net realized and unrealized (gain) loss on investments | (12,527,862) | 6,675,511 |
| (Increase) decrease in: | | |
| Unconditional promises to give | 1,402,933 | 1,921,075 |
| Accounts receivable | (590,626) | 698,646 |
| Prepaid production costs and other current assets | 60,932 | 1,965,716 |
| Beneficial interest in charitable trust | (35,448) | (34,249) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (659,217) | (757,480) |
| Advance box office sales | 569,267 | (8,094,802) |
| Deferred membership fees | 123,466 | (11,787) |
| Net Cash Used By Operating Activities | <u>(5,936,416)</u> | <u>(6,204,595)</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (967,983) | (37,499) |
| Sale of investments | 17,257,786 | 15,141,910 |
| Purchase of investments | (14,630,772) | (10,729,795) |
| Investment in theatrical limited partnership | (275,000) | (400,000) |
| Return of investment in theatrical limited partnership | - | 100,000 |
| Purchase of restricted certificate of deposit | (4,021) | (90,544) |
| Net Cash Provided By Investing Activities | <u>1,380,010</u> | <u>3,984,072</u> |
| Net decrease in cash and cash equivalents | (4,556,406) | (2,220,523) |
| Cash and cash equivalents, beginning of year | <u>12,698,451</u> | <u>14,918,974</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 8,142,045</u></u> | <u><u>\$ 12,698,451</u></u> |

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
 (combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2017 regular program consisted of a season of productions at the Vivian Beaumont and Mitzi E. Newhouse Theaters at Lincoln Center (*The Babylon Line*, *How to Transcend a Happy Marriage*, *Oslo*, and *Pipeline*), a production on Broadway (*Falsettos*), and a season of productions of the LCT3 program at the Claire Tow Theater at Lincoln Center (*The Harvest*, *Bull in a China Shop*, and *Ghost Light*). The 2016 regular program consisted of *Dada Woof Papa Hot*, *The Royale*, *Oslo*, *Kill Floor*, *Her Requiem*, and *War*.

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 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. The 2016 extended program consisted of the full-year extended run of *The King and I* at the Vivian Beaumont Theater, the two-week extended run of *Preludes* at the Claire Tow Theater, and the original cast recording of *Preludes*.

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)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2017 and 2016 was \$4,593,753 and \$5,779,204, 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 - Principles of Combination

The accompanying financial statements reflect the combination of the individual financial statements of The Vivian Beaumont Theater, Inc. and The 2002 Lincoln Center Theater Supporting Foundation because the entities have common directors and trustees (Note 2d). During the year ended June 30, 2017, The 2002 Lincoln Center Theater Supporting Foundation was dissolved and all assets were contributed to The Vivian Beaumont Theater, Inc.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

n - Subsequent Events

The Theater has evaluated subsequent events through October 25, 2017, the date that the financial statements are considered available to be issued.

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.

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, 2017, \$500,000 was expended from this fund for the production of *Oslo* 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, 2017 and 2016. Appropriations are made from the quasi-endowment to operations according to the spending policy applicable to endowment funds.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2 - Restrictions on Assets (continued)

b - Temporarily Restricted Net Assets

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

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Future program and operations | \$11,862,405 | \$ 8,494,075 |
| Future capital expenditures | 79,500 | 513,057 |
| Accumulated endowment income and gains not yet appropriated for expenditure | 23,325,082 | 17,059,828 |
| Term endowment | 392,808 | 378,220 |
| Beneficial interest in charitable trust (Note 7) | <u>1,496,000</u> | <u>1,502,000</u> |
| | 37,155,795 | 27,947,180 |
| Less: Discount to present value | <u>(311,760)</u> | <u>(366,993)</u> |
| | <u>\$36,844,035</u> | <u>\$27,580,187</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.

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, 2017 and 2016. Investment income (or loss) from the cash reserve is appropriated to operations according to the general spending policy for endowment funds.

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2 - Restrictions on Assets (continued)

c - Permanently Restricted Net Assets (continued)

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.

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.

THE VIVIAN BEAUMONT THEATER, INC.
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(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2 - Restrictions on Assets (continued)

d - The 2002 Lincoln Center Theater Supporting Foundation

The 2002 Lincoln Center Theater Supporting Foundation (LCTSF) was established by a trust agreement dated October 30, 2002 between The Peter Jay Sharp Foundation and three Trustees, two representing The Vivian Beaumont Theater, Inc. (Lincoln Center Theater) as members of the Theater's Board of Directors, and the third representing the Sharp Foundation. The trust was organized exclusively for the benefit of Lincoln Center Theater. Its specific purpose was to provide an ongoing source of below-market or interest-free financing to the Theater for the presentation of qualifying theatrical works. Upon termination of LCTSF, its entire net assets would be distributed to the Theater to be held as a segregated fund and used to finance theatrical works.

In December 2016, the Trustees of LCTSF approved the dissolution of LCTSF and the transfer of its remaining assets (\$4,000,000) to Lincoln Center Theater.

Prior to the dissolution of LCTSF, the outstanding \$1,204,127 balance of its loan to the Theater was repaid.

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 3 - Endowment Funds (continued)

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.

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, 2017 and 2016:

| | 2017 | | | |
|----------------------------------|---------------------|-------------------------------|-------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</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> |
| | 2016 | | | |
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Donor-restricted endowment funds | \$ (117,380) | \$17,438,048 | \$57,298,512 | \$74,619,180 |
| Board-designated endowment funds | <u>15,279,045</u> | - | - | <u>15,279,045</u> |
| Total Endowment Funds | <u>\$15,161,665</u> | <u>\$17,438,048</u> | <u>\$57,298,512</u> | <u>\$89,898,225</u> |

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 3 - Endowment Funds (continued)

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 \$32,218, with respect to one of the Theater's endowment funds, is reported in unrestricted net assets at June 30, 2017.

Changes in the fair value of the cash and investments of the Theater's endowment funds for the years ended June 30, 2017 and 2016 are summarized as follows:

| | 2017 | | | Total |
|--|---------------------|-------------------------------|-------------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| 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>-</u> | <u>6,061,150</u> |
| Total Investment Return | <u>2,201,925</u> | <u>10,197,359</u> | <u>-</u> | <u>12,399,284</u> |
| Redesignation by donor of endowment to current use | <u>-</u> | <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>-</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> |
| | 2016 | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment funds, beginning of year | <u>\$16,973,092</u> | <u>\$25,642,379</u> | <u>\$57,298,512</u> | <u>\$99,913,983</u> |
| Investment Return: | | | | |
| Interest and dividends | 202,601 | 995,391 | - | 1,197,992 |
| Realized capital gains, net of investment fees | 786,695 | 3,816,332 | - | 4,603,027 |
| Unrealized depreciation | <u>(2,021,884)</u> | <u>(9,291,045)</u> | <u>-</u> | <u>(11,312,929)</u> |
| Total Investment Return | <u>(1,032,588)</u> | <u>(4,479,322)</u> | <u>-</u> | <u>(5,511,910)</u> |
| Contributions received | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Appropriation of endowment assets for expenditure | <u>(778,839)</u> | <u>(3,725,009)</u> | <u>-</u> | <u>(4,503,848)</u> |
| Endowment Funds, End of Year | <u>\$15,161,665</u> | <u>\$17,438,048</u> | <u>\$57,298,512</u> | <u>\$89,898,225</u> |

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 3 - Endowment Funds (continued)

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.

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

Restricted certificates of deposit (\$473,764 at June 30, 2017) are pledged as collateral for a salary bond under a security agreement with Actors' Equity Association. This amount was \$469,743 at June 30, 2016.

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

| | <u>2017</u> | <u>2016</u> |
|--------------------|--------------------|---------------------|
| Bank accounts | \$2,613,420 | \$ 2,673,317 |
| Money market funds | <u>5,528,625</u> | <u>10,025,134</u> |
| | <u>\$8,142,045</u> | <u>\$12,698,451</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, 2017, 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).

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5 - Investments

The following summarizes the Theater's investments at June 30, 2017 and 2016:

| | 2017 | | | | |
|---|---------------------|----------------------|---------------------|----------------|----------------|
| | Cost | Fair Value | | | |
| | | Total | Level 1 | Level 2 | Level 3 |
| <u>The Vivian Beaumont Theater, Inc.</u> | | | | | |
| Cash awaiting investment | \$ 5,000,000 | \$ 5,000,000 | \$ 5,000,000 | \$ - | \$ - |
| Marketable debt and equity securities | 142,915 | 150,659 | 150,659 | - | - |
| Mutual fund - mixed asset classes | 10,827,960 | 10,771,066 | 10,771,066 | - | - |
| Mutual fund - fixed income | <u>2,039,206</u> | <u>2,034,933</u> | <u>2,034,933</u> | - | - |
| Total Assets in Fair Value Hierarchy | <u>18,010,081</u> | <u>17,956,658</u> | <u>17,956,658</u> | - | - |
| Alternative Investments | | | | | |
| Investment fund - U.S. equities | 22,285,833 | 31,242,817 | | | |
| Investment funds - non-U.S. equities | 19,635,547 | 23,157,506 | | | |
| Investment fund - bank loans | 3,500,000 | 3,389,400 | | | |
| Hedge funds | 23,495,453 | 26,191,244 | | | |
| Private equity funds | 1,474,192 | 2,649,146 | | | |
| Private equity - distressed opportunities | <u>29,144</u> | <u>1,803,090</u> | | | |
| Total Investments Measured at Net Asset Value | <u>70,420,169</u> | <u>88,433,203</u> | | | |
| Total Investments | <u>\$88,430,250</u> | <u>\$106,389,861</u> | <u>\$17,956,658</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>2016</u> | | | | | |
| | Cost | Fair Value | | | |
| | | Total | Level 1 | Level 2 | Level 3 |
| <u>The Vivian Beaumont Theater, Inc.</u> | | | | | |
| Marketable debt and equity securities | \$ 148,389 | \$ 154,972 | \$ 154,972 | \$ - | \$ - |
| Mutual fund - mixed asset classes | 10,669,996 | 9,780,067 | 9,780,067 | - | - |
| Mutual fund - fixed income | <u>34,498</u> | <u>34,533</u> | <u>34,533</u> | - | - |
| Total Assets in Fair Value Hierarchy | <u>10,852,883</u> | <u>9,969,572</u> | 9,969,572 | - | - |
| Alternative Investments | | | | | |
| Investment fund - U.S. equities | 23,536,724 | 29,790,510 | | | |
| Investment funds - non-U.S. equities | 19,610,516 | 18,419,829 | | | |
| Investment fund - bank loans | 3,500,000 | 3,300,223 | | | |
| Hedge funds | 26,053,842 | 30,285,799 | | | |
| Private equity funds | 1,911,413 | 3,428,538 | | | |
| Private equity - distressed opportunities | <u>706,502</u> | <u>2,356,700</u> | | | |
| Total Investments Measured at Net Asset Value | <u>75,318,997</u> | <u>87,581,599</u> | | | |
| | 86,171,880 | 97,551,171 | | | |
| <u>The 2002 Lincoln Center Theater Supporting Foundation</u> | | | | | |
| Mutual funds - fixed income | <u>2,818,819</u> | <u>2,873,700</u> | <u>2,873,700</u> | - | - |
| Total Investments | <u>\$88,990,699</u> | <u>\$100,424,871</u> | <u>\$12,843,272</u> | <u>\$ -</u> | <u>\$ -</u> |

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5 - Investments (continued)

The Theater has committed to invest a total of \$13,500,000 in private equity limited partnerships which make periodic capital calls. As of June 30, 2017, the Theater had made investments totaling approximately \$11,000,000 leaving an outstanding commitment of approximately \$2,500,000.

At June 30, 2017, concentrations of the Theater's investments in excess of 10% of the fair value of its portfolio included approximately 54% invested in three 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>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Hedge Funds and Investment Funds: | | |
| Daily redemption with no notice | \$ 1,780,666 | \$ 1,571,981 |
| Weekly redemption with two-week notice | 1,621,866 | 1,322,343 |
| Monthly redemption with two-week notice | 15,480,354 | 12,063,643 |
| Monthly redemption with thirty days notice | 7,664,020 | 6,762,085 |
| Monthly redemption with 120 days notice | 4,301,650 | 4,279,100 |
| Quarterly redemption with sixty days notice | 31,242,817 | 29,790,510 |
| Quarterly redemption with sixty days notice and one-year lockup | 3,123,107 | - |
| Quarterly redemption with ninety days notice | 3,866,559 | 12,174,988 |
| Annual redemption with sixty days notice | 4,483,188 | 4,336,433 |
| Annual redemption with ninety-five days notice | <u>10,416,740</u> | <u>9,495,278</u> |
| | 83,980,967 | 81,796,361 |
| Private Equity Funds: | | |
| No opportunity for redemption; distributions made only at fund's discretion | <u>4,452,236</u> | <u>5,785,238</u> |
| | <u>\$88,433,203</u> | <u>\$87,581,599</u> |

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 6 - Unconditional Promises to Give

Unconditional promises to give are due as follows as of June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|------------------------------------|-------------------------|-----------------------------------|---------------------------|
| <u>Year Ending June 30,</u> | | | |
| 2018 | \$615,888 | \$1,700,000 | \$2,315,888 |
| 2019 | - | 787,500 | 787,500 |
| 2020 | - | 400,000 | 400,000 |
| 2021 | - | 25,000 | 25,000 |
| 2022 | - | 25,000 | 25,000 |
| Thereafter, through June 30, 2023 | - | 25,000 | 25,000 |
| | <u>615,888</u> | <u>2,962,500</u> | <u>3,578,388</u> |
| Less: Discount to present value | <u>-</u> | <u>(35,645)</u> | <u>(35,645)</u> |
| | <u><u>\$615,888</u></u> | <u><u>\$2,926,855</u></u> | <u><u>\$3,542,743</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 \$1,460,000. 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, 2017, the present value of the interest in the charitable trust, considered Level 3 in the fair value hierarchy, was \$1,219,885.

THE VIVIAN BEAUMONT THEATER, INC.
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(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

| | <u>Life</u> | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-------------|---------------------|---------------------|
| Leasehold improvements | 10-25 years | \$68,623,521 | \$67,834,205 |
| Furniture, fixtures and equipment | 5-15 years | <u>3,402,338</u> | <u>3,223,671</u> |
| | | 72,025,859 | 71,057,876 |
| Less: Accumulated depreciation | | <u>(31,858,822)</u> | <u>(29,127,821)</u> |
| | | <u>\$40,167,037</u> | <u>\$41,930,055</u> |

Depreciation expense for the years ended June 30, 2017 and 2016 was \$2,731,001 and \$2,743,409, 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, 2017, \$1,416,972 in membership fees were recognized as income. At June 30, 2017, \$698,808 in unamortized fees remained deferred. These amounts were \$1,342,037 and \$575,342, respectively, in 2016.

Note 10 - Commitments and Contingency

a - Certain management compensation is guaranteed by contract. As of June 30, 2017, the following remains to be paid:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------|
| 2018 | \$1,135,000 |
| 2019 | 1,135,000 |
| 2020 | 385,000 |

THE VIVIAN BEAUMONT THEATER, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 10 - Commitments and Contingency (continued)

- b - As of June 30, 2017, approximately 58% 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 year ending June 30, 2017, the City of New York spent \$63,606 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 \$1,078,816 (2017) and \$1,104,196 (2016).

The Theater also shares in Lincoln Center's Corporate Fund (\$345,340 in 2017) and receives a portion of underground garage revenue (\$203,808) and New York City funding (\$43,489) in exchange for its sharing in the maintenance of the Lincoln Center public areas. These amounts were \$363,676, \$260,728 and \$43,929 in 2016, respectively.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$237,184 and \$262,250 to fund pension obligations in the years ended June 30, 2017 and 2016, 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.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2017 and 2016 is for the plan's year-end at December 31, 2016 and December 31, 2015, 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>2017</u> | <u>2016</u> | | <u>2017</u> | <u>2016</u> | | |
| Pension Fund of Local No. One, IATSE (Stage Employees) | 13-6414973/001 | Green | Green | N/A | \$232,095 | \$ 401,100 | No | June 8, 2020 |
| Equity-League Pension Trust Fund (Actors and Stage Managers) | 13-6696817/001 | Green | Green | N/A | 202,922 | 548,983 | No | February 12, 2022 |
| League-ATPAM Pension Fund (Managers and Press Agents) | 13-2928856/001 | Green | Green | N/A | 51,899 | 55,349 | No | September 2, 2018 |
| Treasurers and Ticket Sellers Local 751 Pension Fund | 13-6164776/001 | Green | Green | N/A | 39,266 | 51,979 | No | August 25, 2019 |
| Pension Fund of Wardrobe Local 764, IATSE | 13-6137855/001 | Green | Green | N/A | 28,426 | 107,385 | No | November 26, 2017 |
| American Federation of Musicians and Employers' Pension Fund | 51-6120204/001 | Red | Red | Implemented | 24,220 | 302,197 | Yes | March 3, 2019 |
| All other multiemployer plans - total of five other plans | | | | | <u>61,820</u> | <u>113,637</u> | | |
| | | | | | <u>\$640,648</u> | <u>\$1,580,630</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)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 13 - Fundraising Benefits

During each of the years ended June 30, 2017 and 2016, the Theater held fundraising benefits. The following reflects the activity from these events:

| | 2017 | 2016 |
|--------------------|--------------------|--------------------|
| Gross revenue | \$2,430,115 | \$1,807,025 |
| Less: Direct costs | (166,105) | (247,995) |
| Indirect costs | (156,910) | (107,851) |
| Net | \$2,107,100 | \$1,451,179 |

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
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176
212-697-2299 FAX: 212-949-1768

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Vivian Beaumont Theater, Inc.
(d/b/a Lincoln Center Theater) and
The Board of Trustees of
The 2002 Lincoln Center Theater Supporting Foundation

We have audited the financial statements of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) (combined with The 2002 Lincoln Center Theater Supporting Foundation, a charitable trust) as of and for the year ended June 30, 2017, and our report thereon dated October 25, 2017, 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, 2017 with comparative totals for 2016 and the Schedules of Operating Expenses (excluding Theatrical Production and Operations and Special Artistic Projects) for the years ended June 30, 2017 and 2016 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 25, 2017

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

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | Program Services | | | | | | Supporting Services | | | 2017 | 2016 | |
|--|---|---------------------|---------------------------------|------------------------|---|----------------------------------|------------------------------|---------------------------|--------------|---------------------------------|-------------------|-------------------|
| | 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 | \$ 5,655,849 | \$ 504,419 | \$ 86,176 | \$ 1,708,120 | \$ 607,246 | \$ 459,585 | \$ 9,021,395 | \$ 2,305,377 | \$ 1,078,298 | \$3,383,675 | \$12,405,070 | \$24,960,151 |
| Employee benefits and payroll taxes | 2,708,061 | 196,710 | 19,947 | 508,678 | 219,712 | 173,886 | 3,826,994 | 635,655 | 319,675 | 955,330 | 4,782,324 | 8,795,290 |
| Total Salaries, Employee Benefits and Payroll Taxes | 8,363,910 | 701,129 | 106,123 | 2,216,798 | 826,958 | 633,471 | 12,848,389 | 2,941,032 | 1,397,973 | 4,339,005 | 17,187,394 | 33,755,441 |
| Physical production (scenery, costumes, etc.) | 2,111,353 | - | 44 | - | - | - | 2,111,397 | - | - | - | 2,111,397 | 1,845,472 |
| Production take-in and take-out | 2,667,229 | 19,328 | - | - | - | - | 2,686,557 | - | - | - | 2,686,557 | 1,542,599 |
| Artists' fees | 720,329 | - | 146,350 | - | - | - | 866,679 | - | - | - | 866,679 | 563,589 |
| Royalties | 904,105 | 123,002 | - | - | - | - | 1,027,107 | - | - | - | 1,027,107 | 1,633,252 |
| Advertising and publicity (net of reimbursements) | 4,542,220 | (25,231) | 315 | - | 76,449 | - | 4,593,753 | - | - | - | 4,593,753 | 5,779,204 |
| Theatrical equipment rentals | 746,807 | 42,100 | - | - | - | - | 788,907 | - | - | - | 788,907 | 1,401,153 |
| Theatrical departmental expenses | 361,094 | 15,025 | 3,248 | - | - | - | 379,367 | - | - | - | 379,367 | 665,475 |
| Miscellaneous theatrical expenses | 955,458 | 7,539 | 53,888 | - | - | - | 1,016,885 | - | - | - | 1,016,885 | 688,560 |
| Publications, recordings, seminars and special projects | - | - | 307,952 | - | 581,093 | - | 889,045 | - | - | - | 889,045 | 1,048,250 |
| Theater rent and rented theater expenses | 2,304,533 | - | - | - | - | - | 2,304,533 | - | - | - | 2,304,533 | - |
| Utilities | - | - | - | - | - | 666,806 | 666,806 | - | - | - | 666,806 | 743,364 |
| Lincoln Center shared costs | - | - | - | - | - | 1,078,816 | 1,078,816 | - | - | - | 1,078,816 | 1,104,196 |
| Building security | - | - | - | - | - | 406,651 | 406,651 | - | - | - | 406,651 | 508,405 |
| Building maintenance | - | - | - | - | - | 2,821,457 | 2,821,457 | - | - | - | 2,821,457 | 2,318,811 |
| Insurance | - | - | - | - | - | 282,204 | 282,204 | 54,143 | - | 54,143 | 336,347 | 383,602 |
| Building costs charged to outside tenants | - | - | - | - | - | (32,728) | (32,728) | - | - | - | (32,728) | (12,770) |
| Professional fees and consulting | - | - | - | - | - | - | - | 264,443 | - | 264,443 | 264,443 | 251,877 |
| Membership services | - | - | - | - | 157,744 | - | 157,744 | - | - | - | 157,744 | 168,930 |
| Interest expense and bank charges | - | - | - | - | - | - | - | 13,126 | - | 13,126 | 13,126 | 13,678 |
| Fundraising event expenses (including indirect benefit costs, Note 13) | - | - | - | - | - | - | - | - | 898,139 | 898,139 | 898,139 | 662,876 |
| Office services and expenses | - | - | - | - | 2,400 | - | 2,400 | 182,452 | 81,193 | 263,645 | 266,045 | 285,480 |
| Telecommunications | - | - | - | - | - | - | - | 69,571 | - | 69,571 | 69,571 | 62,230 |
| Meetings, travel and entertainment | - | - | - | - | 1,473 | - | 1,473 | 72,409 | 23,181 | 95,590 | 97,063 | 94,996 |
| Postage, dues, supplies and materials | - | - | - | - | - | - | - | 191,863 | 88,210 | 280,073 | 280,073 | 279,112 |
| Office equipment rental and maintenance | - | - | - | - | - | - | - | 120,671 | - | 120,671 | 120,671 | 185,933 |
| Licenses, permits, etc. | - | - | - | - | - | - | - | 12,050 | - | 12,050 | 12,050 | 4,514 |
| Storage and warehouse | - | - | - | - | - | 33,326 | 33,326 | - | - | - | 33,326 | 38,335 |
| Total expenses before depreciation | 23,677,038 | 882,892 | 617,920 | 2,216,798 | 1,646,117 | 5,890,003 | 34,930,768 | 3,921,760 | 2,488,696 | 6,410,456 | 41,341,224 | 56,016,564 |
| Depreciation | - | - | - | - | - | 2,510,222 | 2,510,222 | 220,779 | - | 220,779 | 2,731,001 | 2,743,409 |
| Total Expenses, 2017 | \$23,677,038 | \$ 882,892 | \$617,920 | \$ 2,216,798 | \$ 1,646,117 | \$8,400,225 | \$37,440,990 | \$ 4,142,539 | \$ 2,488,696 | \$6,631,235 | \$44,072,225 | |
| Total Expenses, 2016 | \$ 7,377,504 | \$32,338,434 | \$709,452 | \$ 2,180,897 | \$ 1,627,503 | \$8,157,825 | \$52,391,615 | \$ 4,071,364 | \$ 2,296,994 | \$6,368,358 | | \$58,759,973 |

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, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Salaries | \$ 6,158,626 | \$ 6,014,580 |
| Employee benefits and payroll taxes | 1,857,606 | 1,848,047 |
| Total Salaries, Employee Benefits and Payroll Taxes | <u>8,016,232</u> | <u>7,862,627</u> |
| Advertising and publicity | 76,449 | 101,263 |
| Publications, recordings, seminars, and special projects | 581,093 | 533,715 |
| Utilities | 666,806 | 743,364 |
| Lincoln Center shared costs | 1,078,816 | 1,104,196 |
| Building security | 406,651 | 508,405 |
| Building maintenance | 2,821,457 | 2,318,811 |
| Insurance | 336,347 | 383,602 |
| Building costs charged to outside tenants | (32,728) | (12,770) |
| Professional fees and consulting | 264,443 | 251,877 |
| Membership services | 157,744 | 168,930 |
| Interest expense and bank charges | 13,126 | 13,678 |
| Fundraising event expenses (including indirect benefit costs, Note 13) | 898,139 | 662,876 |
| Office services and expenses | 266,045 | 285,480 |
| Telecommunications | 69,571 | 62,230 |
| Meetings, travel and entertainment | 97,063 | 94,996 |
| Postage, dues, stationery and supplies | 280,073 | 279,112 |
| Office equipment rental and maintenance | 120,671 | 185,933 |
| Licenses, permits, etc. | 12,050 | 4,514 |
| Storage and warehouse | <u>33,326</u> | <u>38,335</u> |
| Total expenses before depreciation | 16,163,374 | 15,591,174 |
| Depreciation | <u>2,731,001</u> | <u>2,743,409</u> |
| Total | <u>\$18,894,375</u> | <u>\$18,334,583</u> |

See independent auditors' report on supplementary information.