

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

FINANCIAL STATEMENTS

JUNE 30, 2020



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

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, 2020, and the related statements of activities, functional expenses 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, 2020, 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) 2019 financial statements, and our report dated October 30, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its activities at the direction of the state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
November 19, 2020

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operating	Board- Designated	Total			
Assets						
Current Assets						
Cash and cash equivalents (Notes 1c and 5)	\$ 5,254,094	\$ -	\$ 5,254,094	\$ 8,490,663	\$ 13,744,757	\$ 15,257,052
Contributions receivable (Notes 1d and 7)	146,049	-	146,049	700,000	846,049	1,280,929
Insurance proceeds receivable (Note 15)	3,337,533	-	3,337,533	-	3,337,533	-
Accounts receivable	456,140	-	456,140	-	456,140	820,743
Prepaid production costs and other current assets	3,289,641	-	3,289,641	-	3,289,641	856,845
Restricted certificates of deposit (Note 5)	492,821	-	492,821	-	492,821	487,059
Total Current Assets	12,976,278	-	12,976,278	9,190,663	22,166,941	18,702,628
Non-Current Assets						
Contributions receivable (Notes 1d and 7)	-	-	-	563,209	563,209	1,098,882
Beneficial interest in charitable trust	-	-	-	-	-	1,460,000
Property and equipment, at cost, net of accumulated depreciation (Notes 1h and 8)	32,786,657	-	32,786,657	-	32,786,657	35,147,599
Investment in theatrical limited partnership	110,859	-	110,859	-	110,859	-
Investments (Notes 1e, 1f, 4 and 6)	3,076,487	27,305,978	30,382,465	80,446,653	110,829,118	115,460,895
Total Assets	\$48,950,281	\$27,305,978	\$76,256,259	\$90,200,525	\$166,456,784	\$171,870,004

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating	Board-Designated	Total	Restrictions	Total	Total
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 1,278,180	\$ -	\$ 1,278,180	\$ -	\$ 1,278,180	\$ 2,894,712
Advance box office sales (Note 1i)	-	-	-	-	-	959,127
Deferred membership fees (Notes 1i and 9)	458,702	-	458,702	-	458,702	640,732
Total Current Liabilities	<u>1,736,882</u>	<u>-</u>	<u>1,736,882</u>	<u>-</u>	<u>1,736,882</u>	<u>4,494,571</u>
Non-Current Liabilities						
Loan payable (Note 10)	3,705,900	-	3,705,900	-	3,705,900	-
Total Liabilities	<u>5,442,782</u>	<u>-</u>	<u>5,442,782</u>	<u>-</u>	<u>5,442,782</u>	<u>4,494,571</u>
Commitments and Contingencies (Notes 6, 11, 12, 13 and 15)						
Net Assets						
Without Donor Restrictions (Note 3a)						
Operating	10,720,842	-	10,720,842	-	10,720,842	11,874,885
Property and equipment	32,786,657	-	32,786,657	-	32,786,657	35,147,599
Reserves and quasi-endowments	-	27,305,978	27,305,978	-	27,305,978	25,493,724
Total Without Donor Restrictions	<u>43,507,499</u>	<u>27,305,978</u>	<u>70,813,477</u>	<u>-</u>	<u>70,813,477</u>	<u>72,516,208</u>
With Donor Restrictions (Note 3b)	-	-	-	90,200,525	90,200,525	94,859,225
Total Net Assets	<u>43,507,499</u>	<u>27,305,978</u>	<u>70,813,477</u>	<u>90,200,525</u>	<u>161,014,002</u>	<u>167,375,433</u>
Total Liabilities and Net Assets	<u>\$48,950,281</u>	<u>\$27,305,978</u>	<u>\$76,256,259</u>	<u>\$90,200,525</u>	<u>166,456,784</u>	<u>\$171,870,004</u>

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020						2019
	Without Donor Restrictions				Total	With Donor Restrictions	Total
	Operating Regular Program	Operating Extended Program	Property and Equipment	Reserves and Quasi-Endowments			
Changes in Net Assets							
Revenue, Gains and Public Support							
Box office revenue and admission fees	\$ 2,158,156	\$ 902,697	\$ -	\$ -	\$ 3,060,853	\$ -	\$ 44,676,215
Membership fees (Note 9)	1,264,804	-	-	-	1,264,804	-	1,400,271
Theater rental fees and surcharges	409,937	-	-	-	409,937	-	123,220
Share of Lincoln Center garage revenue and city funding for public areas (Note 12)	240,062	-	-	-	240,062	-	295,426
Royalties	244,221	224,132	-	-	468,353	-	778,008
Television and recording income	-	58,523	-	-	58,523	-	43,089
Set and costume sales and rentals	401,520	1,200	-	-	402,720	-	139,829
Merchandise and concession income	38,474	-	-	-	38,474	-	332,167
Business interruption insurance settlement (Note 15)	3,337,533	-	-	-	3,337,533	-	-
Miscellaneous revenue	70,897	7,264	-	-	78,161	-	97,141
Total from Earned Revenue	<u>8,165,604</u>	<u>1,193,816</u>	<u>-</u>	<u>-</u>	<u>9,359,420</u>	<u>-</u>	<u>47,885,366</u>
Net investment income (loss) (Note 6)	(114,340)	-	-	693,241	578,901	2,113,079	6,488,708
Appropriations of endowment funds pursuant to spending policy	4,677,781	-	-	(891,961)	3,785,820	(3,785,820)	-
Appropriations of endowment funds designated for special purposes	34,378	-	-	-	34,378	(34,378)	-
Total from Investments	<u>4,597,819</u>	<u>-</u>	<u>-</u>	<u>(198,720)</u>	<u>4,399,099</u>	<u>(1,707,119)</u>	<u>6,488,708</u>
Contributions	9,859,952	-	35,000	17,998	9,912,950	1,421,827	10,011,220
Gross revenue from fundraising benefits (Note 14)	-	-	-	-	-	-	2,447,985
Less: Direct costs of fundraising benefits (Note 14)	-	-	-	-	-	-	(456,665)
Gersten Fund contributions designated by Board for current year (Note 3a)	250,000	-	-	(250,000)	-	-	-
Larsen Fund contributions designated by Board (Note 3a)	250,000	-	-	1,210,000	1,460,000	(1,460,000)	-
Net assets released from restrictions - satisfaction of time and use restrictions	1,635,630	-	30,000	-	1,665,630	(1,665,630)	-
Reclassification of cash reserve (Note 3a)	-	-	-	1,247,778	1,247,778	(1,247,778)	-
Total from Public Support	<u>11,995,582</u>	<u>-</u>	<u>65,000</u>	<u>2,225,776</u>	<u>14,286,358</u>	<u>(2,951,581)</u>	<u>12,002,540</u>
Total Revenue, Gains and Public Support	24,759,005	1,193,816	65,000	2,027,056	28,044,877	(4,658,700)	66,376,614
Transfer for acquisition of property and equipment	(122,170)	-	122,170	-	-	-	-
Transfer of investment return of operating and production reserves	214,802	-	-	(214,802)	-	-	-
Total Revenue, Gains and Public Support (carried forward)	<u>24,851,637</u>	<u>1,193,816</u>	<u>187,170</u>	<u>1,812,254</u>	<u>28,044,877</u>	<u>(4,658,700)</u>	<u>66,376,614</u>

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020						2019	
	Without Donor Restrictions				With Donor Restrictions	Total	Total	
	Operating Regular Program	Operating Extended Program	Property and Equipment	Reserves and Quasi-Endowments				Total
Changes in Net Assets (continued)								
Total Revenue, Gains and Public Support (brought forward)	\$24,851,637	\$1,193,816	\$ 187,170	\$ 1,812,254	\$28,044,877	\$ (4,658,700)	\$ 23,386,177	\$ 66,376,614
Expenses								
Program Services								
Theatrical productions - direct costs	9,418,390	1,356,516	-	-	10,774,906	-	10,774,906	42,748,013
Theatrical productions - artistic staff and facilities	7,706,202	-	2,460,551 *	-	10,166,753	-	10,166,753	10,928,899
Marketing, education and outreach	1,594,203	-	-	-	1,594,203	-	1,594,203	1,800,987
Special artistic projects	420,632	-	-	-	420,632	-	420,632	833,653
Total Program Services	19,139,427	1,356,516	2,460,551	-	22,956,494	-	22,956,494	56,311,552
Supporting Services								
Management and general	4,210,712	-	87,561 *	-	4,298,273	-	4,298,273	4,228,641
Fundraising	2,492,841	-	-	-	2,492,841	-	2,492,841	2,534,777
Total Supporting Services	6,703,553	-	87,561	-	6,791,114	-	6,791,114	6,763,418
Total Expenses	25,842,980	1,356,516	2,548,112 *	-	29,747,608	-	29,747,608	63,074,970
Increase (Decrease) in Net Assets	(991,343)	(162,700)	(2,360,942)	1,812,254	(1,702,731)	(4,658,700)	(6,361,431)	3,301,644
Net decrease from operations of regular and extended programs combined	(1,154,043)							
Net assets, beginning of year	11,874,885		35,147,599	25,493,724	72,516,208	94,859,225	167,375,433	164,073,789
Net Assets, End of Year	\$10,720,842		\$32,786,657	\$27,305,978	\$70,813,477	\$90,200,525	\$161,014,002	\$167,375,433

* Depreciation expense

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Program Services					Supporting Services			2020	2019	
	Theatrical Productions - Direct Costs		Theatrical Productions - Artistic Staff and Facilities	Marketing, Education and Outreach	Special Artistic Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
	Regular Program	Extended Program									
Salaries	\$ 3,222,373	\$ 653,371	\$ 2,280,929	\$ 697,088	\$ 34,107	\$ 6,887,868	\$ 2,548,221	\$ 1,226,118	\$3,774,339	\$10,662,207	\$26,442,034
Employee benefits and payroll taxes	1,939,698	313,702	871,688	280,742	19,068	3,424,898	839,374	460,367	1,299,741	4,724,639	9,457,630
Total Salaries, Employee Benefits and Payroll Taxes	5,162,071	967,073	3,152,617	977,830	53,175	10,312,766	3,387,595	1,686,485	5,074,080	15,386,846	35,899,664
Physical production (scenery, costumes, etc.)	561,293	-	-	-	-	561,293	-	-	-	561,293	2,131,764
Production take-in and take-out	951,689	83,536	-	-	-	1,035,225	-	-	-	1,035,225	1,465,737
Artists' fees	253,908	-	-	-	85,600	339,508	-	-	-	339,508	681,713
Royalties	115,513	32,550	-	-	-	148,063	-	-	-	148,063	3,106,020
Advertising and publicity	1,628,246	45,424	-	86,392	-	1,760,062	-	4,368	4,368	1,764,430	5,148,302
Theatrical equipment rentals	179,435	33,877	-	-	-	213,312	-	-	-	213,312	1,685,477
Theatrical departmental expenses	81,710	48,923	-	-	1,101	131,734	-	-	-	131,734	723,005
Miscellaneous theatrical expenses	484,525	70,589	-	-	21,191	576,305	-	-	-	576,305	1,374,262
Publications, recordings, seminars and special projects	-	74,544	-	341,017	259,565	675,126	-	-	-	675,126	997,703
Utilities	-	-	566,461	-	-	566,461	-	-	-	566,461	690,609
Lincoln Center shared costs	-	-	1,020,647	-	-	1,020,647	-	-	-	1,020,647	1,085,288
Building security	-	-	348,538	-	-	348,538	-	-	-	348,538	621,242
Building maintenance	-	-	2,288,817	-	-	2,288,817	-	-	-	2,288,817	2,589,738
Insurance	-	-	299,647	-	-	299,647	35,907	-	35,907	335,554	364,841
Building costs charged to outside tenants	-	-	(6,532)	-	-	(6,532)	-	-	-	(6,532)	(92,309)
Professional fees and consulting	-	-	-	22,500	-	22,500	253,634	113,004	366,638	389,138	270,143
Membership services	-	-	-	160,129	-	160,129	-	-	-	160,129	157,285
Interest expense, taxes and bank charges	-	-	-	-	-	-	16,569	-	16,569	16,569	25,596
Fundraising event expenses (including indirect benefit costs, Note 14)	-	-	-	-	-	-	-	575,558	575,558	575,558	779,931
Office services and expenses	-	-	-	6,198	-	6,198	149,964	64,282	214,246	220,444	255,373
Telecommunications	-	-	-	-	-	-	78,924	-	78,924	78,924	72,544
Meetings, travel and entertainment	-	-	-	137	-	137	45,114	17,030	62,144	62,281	76,331
Postage, dues, supplies and materials	-	-	-	-	-	-	131,603	32,114	163,717	163,717	198,664
Office equipment rental and maintenance	-	-	-	-	-	-	111,402	-	111,402	111,402	158,285
Licenses, permits, etc.	-	-	-	-	-	-	-	-	-	-	1,848
Storage and warehouse	-	-	36,007	-	-	36,007	-	-	-	36,007	36,815
Total expenses before depreciation	9,418,390	1,356,516	7,706,202	1,594,203	420,632	20,495,943	4,210,712	2,492,841	6,703,553	27,199,496	60,505,871
Depreciation	-	-	2,460,551	-	-	2,460,551	87,561	-	87,561	2,548,112	2,569,099
Total Expenses, 2020	\$ 9,418,390	\$ 1,356,516	\$ 10,166,753	\$ 1,594,203	\$420,632	\$22,956,494	\$ 4,298,273	\$ 2,492,841	\$6,791,114	\$29,747,608	
Total Expenses, 2019	\$10,648,655	\$32,099,358	\$ 10,928,899	\$ 1,800,987	\$833,653	\$56,311,552	\$ 4,228,641	\$ 2,534,777	\$6,763,418		\$63,074,970

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (6,361,431)	\$ 3,301,644
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	2,548,112	2,569,099
Net realized and unrealized (gain) on investments	(2,239,961)	(5,799,065)
(Increase) decrease in:		
Contributions receivable	970,553	485,499
Insurance proceeds receivable	(3,337,533)	-
Accounts receivable	364,603	317,700
Prepaid production costs and other current assets	(2,432,796)	2,572,778
Beneficial interest in charitable trust	1,460,000	(203,426)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,616,532)	(734,462)
Advance box office sales	(959,127)	(9,665,734)
Deferred membership fees	(182,030)	(57,370)
Net Cash Used By Operating Activities	<u>(11,786,142)</u>	<u>(7,213,337)</u>
Cash Flows From Investing Activities		
Purchase of restricted certificate of deposit	(5,762)	(151)
Purchase of property and equipment	(187,170)	(57,693)
Investment in theatrical limited partnerships	(760,859)	-
Returns from investments in theatrical limited partnerships	323,750	
Sale of investments	14,662,169	19,991,232
Purchase of investments	(7,464,181)	(20,335,149)
Net Cash Provided (Used) By Investing Activities	<u>6,567,947</u>	<u>(401,761)</u>
Cash Flows From Financing Activities		
Proceeds from loan	<u>3,705,900</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,512,295)	(7,615,098)
Cash and cash equivalents, beginning of year	<u>15,257,052</u>	<u>22,872,150</u>
Cash and Cash Equivalents, End of Year	<u><u>\$13,744,757</u></u>	<u><u>\$15,257,052</u></u>
Supplemental Disclosure of Cash Flow Information		
Unrelated business income tax paid	<u>\$ 4,059</u>	<u>\$ 15,142</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The primary exempt purpose of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater, the "Theater") 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 2020 regular program consisted of a season of productions at the Vivian Beaumont and Mitzi E. Newhouse Theaters at Lincoln Center (*The Rolling Stone*, *Greater Clements*, *Intimate Apparel*, and *Flying Over Sunset*) and a season of productions of the LCT3 program at the Claire Tow Theater at Lincoln Center (*In the Green*, *Power Strip*, and *The Headlands*). The productions of *The Headlands*, *Intimate Apparel*, and *Flying Over Sunset* were interrupted and performances suspended in March 2020 by the COVID-19 pandemic. The 2019 regular program consisted of *The Hard Problem*, *Nantucket Sleigh Ride*, *The Rolling Stone*, *Plot Points in Our Sexual Development*, *Marys Seacole*, and *In the Green*.

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 2020 extended program consisted of the final week of the extended run of *My Fair Lady* at the Vivian Beaumont Theater and a cast recording of *In the Green*. The 2019 extended program consisted of the full year's extended run of *My Fair Lady*.

b - Financial Statement Presentation

The financial statements of the Theater have been prepared in accordance with U.S. generally accepted accounting principles, which require the Theater to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Theater. These net assets may be used at the discretion of the Theater's management and Board of Directors.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

b - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Theater or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

c - 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, except for cash equivalents held as part of the Theater's pooled investment portfolio.

d - Contributions Receivable and Contributions

Contributions are recognized when the donor makes a promise to give to the Theater, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future are not recognized until the condition on which they depend has been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as increases in net assets without donor restrictions when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

e - 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income that is limited to specific uses by donor imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the investment income is recognized. All other donor-restricted investment income is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

e - Investments (continued)

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.

f - 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. |

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

f - Fair Value Measurements (continued)

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.

g - Production Costs

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

h - 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.

i - 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.

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 - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Theater's expenses are directly related to program activities. The expenses that are allocated include certain salaries and fringe benefits based on an estimate of employee time and effort.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

l - Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs.

m - 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.

n - Subsequent Events

The Theater has evaluated subsequent events through November 19, 2020, the date that the financial statements are considered available to be issued.

o - New Accounting Pronouncements

During the year ended June 30, 2020, the Theater has adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The ASU clarifies and improves the current guidance about whether a transfer of assets is a contribution or exchange transaction. In addition, the ASU requires that an entity determine whether an agreement includes a measurable performance-related barrier that must be overcome and either a right of return of assets transferred or a release of a promisor's obligation to transfer assets. Analysis of the provisions of the ASU resulted in no significant changes in the way the Theater recognizes revenue.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when performance obligations within a contract are satisfied. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019. The Theater is currently evaluating the impact of this standard on its financial statements.

Note 2 - Information Regarding Liquidity and Availability

The Theater operates with a budget for each fiscal year based on the funds expected to be available to meet anticipated expenses. A substantial portion of these funds consists of contributions and other revenue received, earned, or released in the current year, but in addition, there are available funds accumulated in previous years. The Theater considers general expenditures to consist of all expenses related to its ongoing program activities, as well as the general and administrative and fundraising expenses necessary to support these programs.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

The Theater monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management prepares cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market accounts, and other short-term investments.

The Theater's financial assets as of June 30, 2020 and 2019 and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 13,744,757	\$ 15,257,052
Contributions receivable	1,409,258	2,379,811
Insurance proceeds receivable	3,337,533	-
Accounts receivable	456,140	820,743
Restricted certificates of deposit	492,821	487,059
Beneficial interest in charitable trust	-	1,460,000
Investments	<u>110,939,977</u>	<u>115,460,895</u>
Total Financial Assets	130,380,486	135,865,560
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(9,753,876)	(11,316,123)
Plus: Net assets with donor restrictions expected to be met in less than one year	2,362,835	3,492,786
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(80,446,649)	(83,543,102)
Plus: Amounts appropriated for use within one year	3,901,739	3,972,112
Net assets restricted by Board, subject to spending policy and appropriation	(27,305,978)	(25,493,724)
Plus: Amounts appropriated for use within one year	890,080	831,659
Restricted certificates of deposit	<u>(492,821)</u>	<u>(487,059)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 19,535,816</u>	<u>\$ 23,322,109</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

In addition to these financial assets available within one year, the Theater maintains board-designated endowments of approximately \$17,152,000 (excluding the 2021 appropriation of approximately \$890,000) and operating and production reserves of approximately \$9,264,000. These amounts could be made available at any time to meet cash needs for general expenditures at the discretion of the Board of Directors.

Note 3 - Restrictions and Designations on Net Assets

a - Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Operating	\$10,720,842	\$11,874,885
Property and equipment	32,786,657	35,147,599
Reserves and Quasi-Endowments:		
Board-designated operating reserve	6,700,000	6,700,000
Bernard Gersten LCT Productions Fund	1,353,928	1,585,930
Larsen LCT Productions Fund	1,210,000	-
Board-designated quasi-endowment	16,842,428	15,980,664
Doris Duke Charitable Foundation quasi-endowment	<u>1,199,622</u>	<u>1,227,130</u>
	<u>\$70,813,477</u>	<u>\$72,516,208</u>

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 funds without donor restrictions 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 operating 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, 2020

Note 3 - Restrictions and Designations on Net Assets (continued)

a - Without Donor Restrictions (continued)

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 Producing 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 operating funds.

During the year ended June 30, 2020, \$250,000 was expended from this fund for the production of *Flying Over Sunset* at the Vivian Beaumont Theater.

Ray and Maryann Larsen LCT Productions Fund

The proceeds of a grantor charitable lead annuity trust established for the benefit of the Theater by Ray Larsen (a former Board member) and his wife were designated by the Board of Directors in their memory as the Ray and Maryann Larsen LCT Productions Fund and held in reserve to support future theatrical productions. This reserve fund may be expended for such productions upon request of the Producing 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, 2020, \$250,000 was expended from this fund for the production of *Flying Over Sunset* at the Vivian Beaumont Theater.

Board-Designated Quasi-Endowment

Transfers of operating 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, 2020 and 2019. Appropriations are made from the quasi-endowment to operations according to the spending policy applicable to endowment funds.

Doris Duke Charitable Foundation Quasi-Endowment

To supplement the Doris Duke Charitable Foundation endowment, the Theater established a board-designated fund for the same purpose, and subject to the same spending policy applicable to endowment funds.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 3 - Restrictions and Designations on Net Assets (continued)

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

	2020	2019
	—	
Subject to expenditure for specific purpose:		
Theatrical productions	\$ 4,296,292	\$ 4,402,042
Playwrights and other commissions	619,444	613,566
Literary activities	3,750,000	4,000,000
Capital projects	423,639	314,753
Other programs	296,840	13,922
	<u>9,386,215</u>	<u>9,344,283</u>
Subject to passage of time:		
Future periods	367,661	511,840
	<u>-</u>	<u>1,460,000</u>
Beneficial interest in charitable trust		
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
Cash reserve	-	306,471
Lila Acheson & DeWitt Wallace Endowment	21,348,706	22,876,774
Doris Duke Charitable Foundation Endowment	849,663	933,312
Other endowments	2,141,075	2,378,033
	<u>24,339,444</u>	<u>26,494,590</u>
Investment in perpetuity:		
Cash reserve	-	941,307
Lila Acheson & DeWitt Wallace Endowment	45,324,387	45,324,387
Doris Duke Charitable Foundation Endowment	2,800,609	2,800,609
Other endowments	7,982,209	7,982,209
	<u>56,107,205</u>	<u>57,048,512</u>
Total Endowments	<u>80,446,649</u>	<u>83,543,102</u>
Total Net Assets With Donor Restrictions	<u>\$90,200,525</u>	<u>\$94,859,225</u>

Endowments and reserves consist of the following as of June 30:

1 - Cash Reserve

This cash reserve contained the National Endowment for the Arts (NEA) Challenge grant (and matching funds) designated for institutional stabilization. Subsequent to its initial grant, the NEA permitted the release from restriction of the amount of its grant at the Theater's discretion. During the fiscal year ended June 30, 2020, the Theater's Board of Directors voted to release the NEA Cash Reserve grant and matching funds from restriction, as of July 1, 2019, and to transfer these funds and their accumulated earnings to the Board-Designated Quasi-Endowment.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 3 - Restrictions and Designations on Net Assets (continued)

b - Net Assets With Donor Restrictions (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 restricted in perpetuity, while the remainder is classified as restricted subject to spending policy and appropriation.

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.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4 - Endowment Funds

The Theater's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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 net assets with donor restrictions for investment in perpetuity (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 for investment in perpetuity is classified as subject to spending policy and appropriation 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 VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4 - Endowment Funds (continued)

The Theater's endowment funds are summarized by type of fund and net asset classification as follows, with fair value of investments as of June 30, 2020 and 2019:

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
	Investment Income Above Original Amount	Investment in Perpetuity		
Donor-restricted endowment funds	\$ -	\$24,339,444	\$56,107,205	\$80,446,649
Board-designated endowment funds	<u>18,042,050</u>	<u>-</u>	<u>-</u>	<u>18,042,050</u>
Total Endowment Funds	<u>\$18,042,050</u>	<u>\$24,339,444</u>	<u>\$56,107,205</u>	<u>\$98,488,699</u>
	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
	Investment Income Above Original Amount	Investment in Perpetuity		
Donor-restricted endowment funds	\$ -	\$26,494,590	\$57,048,512	\$ 83,543,102
Board-designated endowment funds	<u>17,207,794</u>	<u>-</u>	<u>-</u>	<u>17,207,794</u>
Total Endowment Funds	<u>\$17,207,794</u>	<u>\$26,494,590</u>	<u>\$57,048,512</u>	<u>\$100,750,896</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 \$59,960, with respect to one of the Theater's endowment funds with an original gift value of \$175,000, is reported as part of net assets with donor restrictions at June 30, 2020.

Changes in the fair value of the cash and investments of the Theater's endowment funds for the years ended June 30, 2020 and 2019 are summarized as follows:

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
	Investment Income Above Original Amount	Investment in Perpetuity		
Endowment funds, beginning of year	\$17,207,794	\$26,494,590	\$57,048,512	\$100,750,896
Investment return	478,439	2,113,079	-	2,591,518
Appropriation of endowment assets for expenditure	(891,961)	(3,961,754)	-	(4,853,715)
Reclassification of cash reserve	<u>1,247,778</u>	<u>(306,471)</u>	<u>(941,307)</u>	<u>-</u>
Endowment Funds, End of Year	<u>\$18,042,050</u>	<u>\$24,339,444</u>	<u>\$56,107,205</u>	<u>\$98,488,699</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4 - Endowment Funds (continued)

	2019			Total
	Without Donor Restrictions	With Donor Restrictions		
		Investment Income Above Original Amount	Investment in Perpetuity	
Endowment funds, beginning of year	\$17,070,052	\$25,852,272	\$57,048,512	\$ 99,970,836
Investment return	969,225	4,710,120	-	5,679,345
Appropriation of endowment assets for expenditure	<u>(831,483)</u>	<u>(4,067,802)</u>	<u>-</u>	<u>(4,899,285)</u>
Endowment Funds, End of Year	<u>\$17,207,794</u>	<u>\$26,494,590</u>	<u>\$57,048,512</u>	<u>\$100,750,896</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4 - Endowment Funds (continued)

The Theater's general spending policy, applicable to most of its endowment funds, for the fiscal year ending June 30, 2020, 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 subject to spending policy and appropriation rather than for investment in perpetuity.

Note 5 - Restricted Certificates of Deposit and Concentration of Credit Risk

Restricted certificates of deposit (\$492,821 at June 30, 2020) are pledged as collateral for a salary bond under a security agreement with Actors' Equity Association. This amount was \$487,059 at June 30, 2019.

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

	<u>2020</u>	<u>2019</u>
Bank accounts	\$ 3,270,722	\$ 3,957,679
Money market funds	<u>10,474,035</u>	<u>11,299,373</u>
	<u>\$13,744,757</u>	<u>\$15,257,052</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 5 - Restricted Certificates of Deposit and Concentration of Credit Risk (continued)

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, 2020, 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 6 - Investments

The following summarizes the Theater's investments at June 30, 2020 and 2019:

	<u>2020</u>			<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>
Cash equivalents	\$ 1,630,920	\$ 1,630,920	\$1,630,920	\$ 4,078,880	\$ 4,078,880	\$4,078,880
Marketable debt and equity securities	131,645	123,506	123,506	141,831	148,963	148,963
Mutual fund - intermediate-term Treasury	3,399,365	3,772,239	3,772,239	3,330,058	3,454,555	3,454,555
Mutual fund - short-term Treasury	<u>2,162,504</u>	<u>2,212,099</u>	<u>2,212,099</u>	<u>2,128,148</u>	<u>2,117,041</u>	<u>2,117,041</u>
Total Assets in Fair Value Hierarchy	<u>7,324,434</u>	<u>7,738,764</u>	<u>7,738,764</u>	<u>9,678,917</u>	<u>9,799,439</u>	<u>9,799,439</u>
Alternative Investments						
Investment fund - U.S. equities	36,992,252	38,687,304		37,878,286	40,196,613	
Investment funds - non-U.S. equities	20,277,726	25,215,708		20,243,723	25,771,793	
Investment fund - bank loans	3,500,000	3,228,451		3,500,000	3,376,127	
Hedge funds	30,742,414	34,516,984		28,936,391	33,141,033	
Private equity funds	1,043,331	1,004,608		1,114,616	2,406,251	
Private equity - distressed opportunities	<u>-</u>	<u>437,299</u>		<u>-</u>	<u>769,639</u>	
Total Investments Measured at Net Asset Value	<u>92,555,723</u>	<u>103,090,354</u>		<u>91,673,016</u>	<u>105,661,456</u>	
Total Investments	<u>\$99,880,157</u>	<u>\$110,829,118</u>	<u>\$7,738,764</u>	<u>\$101,351,933</u>	<u>\$115,460,895</u>	<u>\$9,799,439</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6 - Investments (continued)

Investment income consists of:

	2020					
	Without Donor Restrictions			Total Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Operating and Production Reserves	Quasi- Endowment			
Interest and dividends	\$160,950	\$ 97,910	\$ 218,078	\$476,938	\$ 979,248	\$1,456,186
Realized gain on sale of investments, net of fees and expenses of \$1,004,167	(163,313)	347,654	774,345	958,686	3,437,109	4,395,795
Unrealized loss on investments	(111,977)	(230,762)	(513,984)	(856,723)	(2,303,278)	(3,160,001)
Total from Investments	<u>\$ (114,340)</u>	<u>\$214,802</u>	<u>\$ 478,439</u>	<u>\$578,901</u>	<u>\$2,113,079</u>	<u>\$2,691,980</u>
	2019					
	Without Donor Restrictions			Total Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Operating and Production Reserves	Quasi- Endowment			
Interest and dividends	\$315,167	\$ 74,986	\$ 195,702	\$ 585,855	\$ 957,592	\$1,543,447
Realized gain on sale of investments, net of fees and expenses of \$707,847	267,313	633,551	1,653,448	2,554,312	8,014,135	10,568,447
Unrealized loss on investments	(144,494)	(337,160)	(879,925)	(1,361,579)	(4,261,607)	(5,623,186)
Total from Investments	<u>\$437,986</u>	<u>\$371,377</u>	<u>\$ 969,225</u>	<u>\$1,778,588</u>	<u>\$4,710,120</u>	<u>\$6,488,708</u>

The Theater has committed to invest a total of approximately \$14,600,000 in private equity limited partnerships and other alternative investments which make periodic capital calls. As of June 30, 2020, the Theater had made investments totaling approximately \$10,800,000 leaving an outstanding commitment of approximately \$3,800,000.

At June 30, 2020, concentrations of the Theater's investments in excess of 10% of the fair value of its portfolio included approximately 61% 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 VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6 - Investments (continued)

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

	<u>2020</u>	<u>2019</u>
Hedge Funds and Investment Funds:		
Daily redemption with no notice	\$ 1,523,079	\$ 2,008,094
Monthly redemption with two-week notice	16,820,034	17,135,663
Monthly redemption with thirty days' notice	6,696,975	6,906,943
Quarterly redemption with sixty days' notice	45,869,269	47,832,356
Quarterly redemption with sixty-five days' notice	4,916,260	4,929,317
Quarterly redemption with ninety-five days' notice and three-year lockup	2,247,560	1,432,885
Semi-annual redemption with sixty days' notice	11,959,596	11,347,589
Annual redemption with ninety-five days' notice	<u>11,615,674</u>	<u>10,892,719</u>
	101,648,447	102,485,566
Private Equity Funds:		
No opportunity for redemption; distributions made only at fund's discretion	<u>1,441,907</u>	<u>3,175,890</u>
	<u>\$103,090,354</u>	<u>\$105,661,456</u>

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6 - Investments (continued)

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.

Note 7 - Contributions Receivable

Contributions receivable are due as follows as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Year Ending June 30,</u>			
2021	\$146,049	\$ 700,000	\$ 846,049
2022	-	450,000	450,000
2023	-	<u>125,000</u>	<u>125,000</u>
	<u>146,049</u>	<u>1,275,000</u>	<u>1,421,049</u>
Less: Discount to present value	<u>-</u>	<u>(11,791)</u>	<u>(11,791)</u>
	<u>\$146,049</u>	<u>\$1,263,209</u>	<u>\$1,409,258</u>

The Theater received a \$500,000 conditional pledge from a donor that requires the Theater to raise an equal amount of matching contributions for its Linctix program. This pledge has not been reflected in the accompanying financial statements since it remains subject to these conditions.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 7 - Contributions Receivable (continued)

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

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Leasehold improvements	10-25 years	\$68,759,014	\$68,628,937
Furniture, fixtures and equipment	5-15 years	<u>3,613,300</u>	<u>3,556,207</u>
		72,372,314	72,185,144
Less: Accumulated depreciation		<u>(39,585,657)</u>	<u>(37,037,545)</u>
		<u>\$32,786,657</u>	<u>\$35,147,599</u>

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, 2020, \$1,264,804 in membership fees were recognized as income. At June 30, 2020, \$458,702 in membership fees remained deferred. These amounts were \$1,400,271 and \$640,732, respectively, in 2019.

Note 10 - Loan Payable

On April 24, 2020, the Theater received a loan totaling \$3,705,900 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum, is due on April 24, 2022, and may be forgiven if the Theater meets certain employee retention requirements and the funds are used for eligible expenses. The Theater expects that a portion of the loan will be forgiven.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 11 - Commitments and Contingency

a - Certain management compensation is guaranteed by contract. As of June 30, 2020, compensation under these contracts is due as follows:

<u>Year Ending June 30,</u>	
2021	\$1,094,843
2022	1,241,797

b - For the year ended June 30, 2020, approximately 56% of total employee compensation was paid under collective bargaining agreements.

c - Through the fiscal year ending June 30, 2020, The City of New York ("The City") has spent \$68,928 relating to the ADA Renovations and Alarm System Project. 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 12 - Lincoln Center for the Performing Arts, Inc.

The Theater leases Lincoln Center Theater building (including 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 \$1,020,647 (2020) and \$1,085,288 (2019).

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 12 - Lincoln Center for the Performing Arts, Inc. (continued)

The Theater also shares in Lincoln Center's Corporate Fund (\$279,326 in 2020) and receives a portion of underground garage revenue (\$188,370) and New York City funding (\$51,692) in exchange for its sharing in the maintenance of the Lincoln Center public areas. These amounts were \$368,144, \$249,746 and \$45,680 in 2019, respectively.

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

Note 13 - 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 \$832,167 and \$761,971 to fund pension obligations in the years ended June 30, 2020 and 2019, respectively.

A new defined contribution 403(b) plan was established effective July 1, 2019 for those employees not covered under the aforementioned defined benefit pension plan. After one year of full-time service, the Theater contributes 3% of the compensation of all eligible employees and matches the 403(b) salary deferrals of these eligible employees up to an additional 3% of their compensation. The Theater made contributions of \$9,102 during the year ended June 30, 2020.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 13 - Pension and Other Benefit Plans (continued)

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 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 2020 and 2019 is for the plan's year-end at December 31, 2019 and December 31, 2018, 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 13 - Pension and Other Benefit Plans (continued)

b - (continued)

<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>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>		
Pension Fund of Local No. One, IATSE (Stage Employees)	13-6414973/001	Green	Green	N/A	\$313,400	\$ 461,945	No	June 28, 2020 (negotiation pending)
Equity-League Pension Trust Fund (Actors and Stage Managers)	13-6696817/001	Green	Green	N/A	130,637	500,743	No	February 13, 2022
American Federation of Musicians and Employers' Pension Fund	51-6120204/001	Red	Red	Implemented	73,406	452,971	Yes	March 6, 2022
United Scenic Artists Local 829 Pension Fund	13-1982707/101	Green	Green	N/A	25,967	26,064	No	June 30, 2022
League-ATPAM Pension Fund (Managers and Press Agents)	13-2928856/001	Green	Green	N/A	39,547	53,610	No	September 23, 2023
Treasurers and Ticket Sellers Local 751 Pension Fund	13-6164776/001	Green	Green	N/A	38,731	50,593	No	August 30, 2023
All other multiemployer plans - total of five other plans					<u>65,427</u>	<u>198,830</u>		
					<u>\$687,115</u>	<u>\$1,744,756</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, 2020

Note 14 - Fundraising Benefits

There were no fundraising benefits held during the year ended June 30, 2020. The following reflects the activity from the fundraising events held during the year ended June 30, 2019:

Gross revenue	\$2,447,985
Less: Direct costs	(456,665)
Indirect costs	<u>(78,581)</u>
Net	<u>\$1,912,739</u>

Direct costs of fundraising benefits reflect the actual expenses incurred for the goods and services (such as food and entertainment) which the donor received. Indirect costs are other costs of the benefit in addition to those directly benefitting the donor.

Note 15 - Risks and Uncertainties

In March 2020, the COVID-19 pandemic was declared a national emergency in the United States, and on March 12, the Governor of New York closed all theaters and prohibited public assembly for an indefinite period. All three of the Theater's productions at that time were suspended and ticket sales refunded, with plans for their reopening (and all other stage productions) now expected to be postponed until at least September 2021. All performers, creative staff, and technical crews were laid off, and the salaries of the remaining administrative staff of the Theater were cut. The Theater applied for and received a loan of \$3,705,900 from the federal Paycheck Protection Program, a portion of which is expected to be forgiven against continuing payroll and related operating expenses. The Theater also made a claim for and received reimbursement of \$3,337,533 in lost income under the business interruption provisions of its theatrical property insurance policy. In response to the emergency, several major donors to the Theater released their grants, previously designated for productions or special projects, and redirected them as general operating support. With the Organization's theaters and offices still closed, and with the administrative staff working remotely, management is conserving its resources for the commissioning of new work and the development of video and online presentations during the fiscal year ending June 30, 2021, with the hope of a full resumption of its theatrical program in the fiscal year ending June 30, 2022.