

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

FINANCIAL STATEMENTS

JUNE 30, 2019



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, 2019, 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, 2019, 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) 2018 financial statements, and our report dated October 29, 2018, 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, 2018, 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 30, 2019

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operating	Board- Designated	Total			
Assets						
Current Assets						
Cash and cash equivalents (Notes 1c and 5)	\$ 7,424,811	\$ -	\$ 7,424,811	\$ 7,832,241	\$ 15,257,052	\$ 22,872,150
Contributions receivable (Notes 1d and 7)	355,929	-	355,929	925,000	1,280,929	1,903,912
Accounts receivable	820,743	-	820,743	-	820,743	1,138,443
Prepaid production costs and other current assets (Note 1g)	856,845	-	856,845	-	856,845	3,429,623
Restricted certificates of deposit (Note 5)	487,059	-	487,059	-	487,059	486,908
Total Current Assets	9,945,387	-	9,945,387	8,757,241	18,702,628	29,831,036
Non-Current Assets						
Contributions receivable (Notes 1d and 7)	-	-	-	1,098,882	1,098,882	961,398
Beneficial interest in charitable trust (Note 8)	-	-	-	1,460,000	1,460,000	1,256,574
Property and equipment, at cost, net of accumulated depreciation (Notes 1h and 9)	35,147,599	-	35,147,599	-	35,147,599	37,659,005
Investments (Notes 1e, 1f, 4 and 6)	6,424,069	25,493,724	31,917,793	83,543,102	115,460,895	109,317,913
Total Assets	\$51,517,055	\$25,493,724	\$77,010,779	\$94,859,225	\$171,870,004	\$179,025,926

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019				2018	
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Operating	Board-Designated	Total			
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 2,894,712	\$ -	\$ 2,894,712	\$ -	\$ 2,894,712	\$ 3,629,174
Advance box office sales (Note 1i)	959,127	-	959,127	-	959,127	10,624,861
Deferred membership fees (Notes 1g and 10)	640,732	-	640,732	-	640,732	698,102
Total Liabilities	<u>4,494,571</u>	<u>-</u>	<u>4,494,571</u>	<u>-</u>	<u>4,494,571</u>	<u>14,952,137</u>
Commitments and Contingency (Notes 6, 11, 12 and 13)						
Net Assets						
Without Donor Restrictions (Note 3a)						
Operating	11,874,885	-	11,874,885	-	11,874,885	8,225,564
Property and equipment	35,147,599	-	35,147,599	-	35,147,599	37,659,005
Reserves and quasi-endowments	-	25,493,724	25,493,724	-	25,493,724	23,605,982
Total Without Donor Restrictions	<u>47,022,484</u>	<u>25,493,724</u>	<u>72,516,208</u>	<u>-</u>	<u>72,516,208</u>	<u>69,490,551</u>
With Donor Restrictions (Note 3b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,859,225</u>	<u>94,859,225</u>	<u>94,583,238</u>
Total Net Assets	<u>47,022,484</u>	<u>25,493,724</u>	<u>72,516,208</u>	<u>94,859,225</u>	<u>167,375,433</u>	<u>164,073,789</u>
Total Liabilities and Net Assets	<u>\$51,517,055</u>	<u>\$25,493,724</u>	<u>\$77,010,779</u>	<u>\$94,859,225</u>	<u>\$171,870,004</u>	<u>\$179,025,926</u>

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019					2018		
	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								
Revenue, Gains and Public Support								
Box office revenue and admission fees	\$ 4,018,088	\$40,658,127	\$ -	\$ -	\$44,676,215	\$ -	\$ 44,676,215	\$ 24,559,104
Membership fees (Note 10)	1,400,271	-	-	-	1,400,271	-	1,400,271	1,450,205
Theater rental fees and surcharges	123,220	-	-	-	123,220	-	123,220	106,350
Share of Lincoln Center garage revenue and city funding for public areas (Note 12)	295,426	-	-	-	295,426	-	295,426	280,221
Royalties	75,819	702,189	-	-	778,008	-	778,008	451,751
Television and recording income	-	43,089	-	-	43,089	-	43,089	46,413
Set and costume sales and rentals	40,954	98,875	-	-	139,829	-	139,829	161,713
Merchandise and concession income	332,167	-	-	-	332,167	-	332,167	124,901
Miscellaneous revenue	97,141	-	-	-	97,141	-	97,141	88,579
Total from Earned Revenue	<u>6,383,086</u>	<u>41,502,280</u>	<u>-</u>	<u>-</u>	<u>47,885,366</u>	<u>-</u>	<u>47,885,366</u>	<u>27,269,237</u>
Net investment income (Note 6)	437,986	-	-	1,340,602	1,778,588	4,710,120	6,488,708	8,524,463
Appropriations of endowment funds pursuant to spending policy	4,673,625	-	-	(831,483)	3,842,142	(3,842,142)	-	-
Appropriations of endowment funds designated for special purposes	71,450	-	-	-	71,450	(71,450)	-	-
Total from Investments	<u>5,183,061</u>	<u>-</u>	<u>-</u>	<u>509,119</u>	<u>5,692,180</u>	<u>796,528</u>	<u>6,488,708</u>	<u>8,524,463</u>
Contributions	8,416,476	-	-	-	8,416,476	1,594,744	10,011,220	9,722,535
Gross revenue from fundraising benefits (Note 13)	2,447,985	-	-	-	2,447,985	-	2,447,985	2,400,165
Less: Direct costs of fundraising benefits (Note 13)	(456,665)	-	-	-	(456,665)	-	(456,665)	(265,835)
Gersten Fund contributions designated by Board for current year (Note 3a)	250,000	-	-	(250,000)	-	-	-	-
Net assets released from restrictions - satisfaction of time and use restrictions	2,115,285	-	-	-	2,115,285	(2,115,285)	-	-
Total from Public Support	<u>12,773,081</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>12,523,081</u>	<u>(520,541)</u>	<u>12,002,540</u>	<u>11,856,865</u>
Total Revenue, Gains and Public Support	24,339,228	41,502,280	-	259,119	66,100,627	275,987	66,376,614	47,650,565
Transfer of operating surplus (Note 3a)	(2,000,000)	-	-	2,000,000	-	-	-	-
Transfer for acquisition of property and equipment	(57,693)	-	57,693	-	-	-	-	-
Transfer of investment return of operating and production reserves	371,377	-	-	(371,377)	-	-	-	-
Total Revenue, Gains and Public Support (carried forward)	<u>22,652,912</u>	<u>41,502,280</u>	<u>57,693</u>	<u>1,887,742</u>	<u>66,100,627</u>	<u>275,987</u>	<u>66,376,614</u>	<u>47,650,565</u>

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019						2018	
	Without Donor Restrictions				With Donor Restrictions	Total	Total	
	Operating Regular Program	Extended Program	Property and Equipment	Reserves and Quasi-Endowments				Total
Changes in Net Assets (continued)								
Total Revenue, Gains and Public Support (brought forward)	\$22,652,912	\$41,502,280	\$ 57,693	\$ 1,887,742	\$66,100,627	\$ 275,987	\$ 66,376,614	\$ 47,650,565
Expenses								
Program Services								
Theatrical productions - direct costs	10,648,655	32,099,358	-	-	42,748,013	-	42,748,013	25,315,023
Theatrical productions - artistic staff and facilities	8,452,626	-	2,476,273 *	-	10,928,899	-	10,928,899	10,625,565
Marketing, education and outreach	1,800,987	-	-	-	1,800,987	-	1,800,987	1,846,379
Special artistic projects	833,653	-	-	-	833,653	-	833,653	888,343
Total Program Services	21,735,921	32,099,358	2,476,273	-	56,311,552	-	56,311,552	38,675,310
Supporting Services								
Management and general	4,135,815	-	92,826 *	-	4,228,641	-	4,228,641	4,250,732
Fundraising	2,534,777	-	-	-	2,534,777	-	2,534,777	2,646,755
Total Supporting Services	6,670,592	-	92,826	-	6,763,418	-	6,763,418	6,897,487
Total Expenses	28,406,513	32,099,358	2,569,099 *	-	63,074,970	-	63,074,970	45,572,797
Increase (Decrease) in Net Assets	(5,753,601)	9,402,922	(2,511,406)	1,887,742	3,025,657	275,987	3,301,644	2,077,768
Net increase from operations of regular and extended programs combined	3,649,321							
Net assets, beginning of year	8,225,564		37,659,005	23,605,982	69,490,551	94,583,238	164,073,789	161,996,021
Net Assets, End of Year	\$11,874,885		\$35,147,599	\$25,493,724	\$72,516,208	\$94,859,225	\$167,375,433	\$164,073,789

* Depreciation expense

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Program Services					Supporting Services			2019	2018	
	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	\$ 2,502,162	\$17,315,007	\$ 2,296,194	\$ 668,595	\$143,436	\$22,925,394	\$ 2,373,573	\$ 1,143,067	\$3,516,640	\$26,442,034	\$14,971,977
Employee benefits and payroll taxes	1,550,565	5,434,542	897,191	287,213	60,894	8,230,405	791,064	436,161	1,227,225	9,457,630	6,426,327
Total Salaries, Employee Benefits and Payroll Taxes	4,052,727	22,749,549	3,193,385	955,808	204,330	31,155,799	3,164,637	1,579,228	4,743,865	35,899,664	21,398,304
Physical production (scenery, costumes, etc.)	2,129,638	-	-	-	2,126	2,131,764	-	-	-	2,131,764	2,335,985
Production take-in and take-out	1,465,737	-	-	-	-	1,465,737	-	-	-	1,465,737	2,083,984
Artists' fees	530,238	-	-	-	151,475	681,713	-	-	-	681,713	679,389
Royalties	211,490	2,894,530	-	-	-	3,106,020	-	-	-	3,106,020	1,227,714
Advertising (net of reimbursements)	1,148,058	3,845,510	-	87,099	1,693	5,082,360	-	65,942	65,942	5,148,302	4,134,762
Theatrical equipment rentals	213,550	1,471,927	-	-	-	1,685,477	-	-	-	1,685,477	973,144
Theatrical departmental expenses	171,931	544,458	-	-	6,616	723,005	-	-	-	723,005	418,931
Miscellaneous theatrical expenses	725,286	593,384	-	-	55,592	1,374,262	-	-	-	1,374,262	1,126,023
Publications, recordings, seminars and special projects	-	-	-	585,882	411,821	997,703	-	-	-	997,703	1,235,450
Utilities	-	-	690,609	-	-	690,609	-	-	-	690,609	723,517
Lincoln Center shared costs	-	-	1,085,288	-	-	1,085,288	-	-	-	1,085,288	1,060,203
Building security	-	-	621,242	-	-	621,242	-	-	-	621,242	531,735
Building maintenance	-	-	2,589,738	-	-	2,589,738	-	-	-	2,589,738	2,406,049
Insurance	-	-	327,858	-	-	327,858	36,983	-	36,983	364,841	348,401
Building costs charged to outside tenants	-	-	(92,309)	-	-	(92,309)	-	-	-	(92,309)	(42,359)
Professional fees and consulting	-	-	-	10,000	-	10,000	260,143	-	260,143	270,143	286,120
Membership services	-	-	-	157,285	-	157,285	-	-	-	157,285	186,774
Interest expense, taxes and bank charges	-	-	-	-	-	-	25,596	-	25,596	25,596	20,022
Fundraising event expenses (including indirect benefit costs, Note 14)	-	-	-	-	-	-	-	779,931	779,931	779,931	1,008,018
Office services and expenses	-	-	-	4,685	-	4,685	187,041	63,647	250,688	255,373	292,535
Telecommunications	-	-	-	-	-	-	72,544	-	72,544	72,544	75,912
Meetings, travel and entertainment	-	-	-	228	-	228	58,694	17,409	76,103	76,331	128,353
Postage, dues, supplies and materials	-	-	-	-	-	-	170,044	28,620	198,664	198,664	185,802
Office equipment rental and maintenance	-	-	-	-	-	-	158,285	-	158,285	158,285	102,133
Licenses, permits, etc.	-	-	-	-	-	-	1,848	-	1,848	1,848	4,625
Storage and warehouse	-	-	36,815	-	-	36,815	-	-	-	36,815	31,647
Total expenses before depreciation	10,648,655	32,099,358	8,452,626	1,800,987	833,653	53,835,279	4,135,815	2,534,777	6,670,592	60,505,871	42,963,173
Depreciation	-	-	2,476,273	-	-	2,476,273	92,826	-	92,826	2,569,099	2,609,624
Total Expenses, 2019	<u>\$10,648,655</u>	<u>\$32,099,358</u>	<u>\$ 10,928,899</u>	<u>\$ 1,800,987</u>	<u>\$833,653</u>	<u>\$56,311,552</u>	<u>\$ 4,228,641</u>	<u>\$ 2,534,777</u>	<u>\$6,763,418</u>	<u>\$63,074,970</u>	
Total Expenses, 2018	<u>\$24,019,107</u>	<u>\$ 1,295,916</u>	<u>\$ 10,625,565</u>	<u>\$ 1,846,379</u>	<u>\$888,343</u>	<u>\$38,675,310</u>	<u>\$ 4,250,732</u>	<u>\$ 2,646,755</u>	<u>\$6,897,487</u>		<u>\$45,572,797</u>

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,301,644	\$ 2,077,768
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	2,569,099	2,609,624
Net realized and unrealized (gain) on investments	(5,799,065)	(7,828,910)
(Increase) decrease in:		
Investment redemption receivable	-	4,210,859
Contributions receivable	485,499	677,433
Accounts receivable	317,700	(228,300)
Prepaid production costs and other current assets	2,572,778	(2,391,578)
Beneficial interest in charitable trust	(203,426)	(36,689)
Increase (decrease) in:		
Accounts payable and accrued expenses	(734,462)	1,403,667
Advance box office sales	(9,665,734)	9,450,816
Deferred membership fees	(57,370)	(706)
Net Cash Provided (Used) By Operating Activities	<u>(7,213,337)</u>	<u>9,943,984</u>
Cash Flows From Investing Activities		
Purchase of restricted certificate of deposit	(151)	(13,144)
Purchase of property and equipment	(57,693)	(101,592)
Sale of investments	19,991,232	16,255,407
Purchase of investments	<u>(20,335,149)</u>	<u>(11,354,550)</u>
Net Cash Provided (Used) By Investing Activities	<u>(401,761)</u>	<u>4,786,121</u>
Net increase (decrease) in cash and cash equivalents	(7,615,098)	14,730,105
Cash and cash equivalents, beginning of year	<u>22,872,150</u>	<u>8,142,045</u>
Cash and Cash Equivalents, End of Year	<u><u>\$15,257,052</u></u>	<u><u>\$22,872,150</u></u>
Supplemental Disclosure of Cash Flow Information		
Unrelated business income tax paid	<u>\$ 15,142</u>	<u>\$ -</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 2019 regular program consisted of a season of productions at the Mitzi E. Newhouse Theater at Lincoln Center (*The Hard Problem*, *Nantucket Sleigh Ride*, and *The Rolling Stone*) and a season of productions of the LCT3 program at the Claire Tow Theater at Lincoln Center (*Plot Points in Our Sexual Development*, *Marys Seacole*, and *In the Green*). The 2018 regular program consisted of *Junk*, *The Wolves*, *Admissions*, *My Fair Lady*, *After the Blast*, *Queens*, and *Pass Over*.

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 2019 extended program consisted of the full year's extended run of *My Fair Lady* at the Vivian Beaumont Theater at Lincoln Center. The 2018 extended program consisted of the final two weeks of the extended run of *Oslo*, the three-week extended run of *Ghost Light*, and the one-week extended run of *Admissions*, as well as participation in the *Live from Lincoln Center* television recording of *Pipeline*.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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.

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. 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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 asset without donor restrictions.

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 date 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

f - Fair Value Measurements (continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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.

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 October 30, 2019, the date that the financial statements are considered available to be issued.

o - New Accounting Pronouncement

The Theater adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

o - New Accounting Pronouncement (continued)

The net asset reclassifications resulting from the adoption of ASU 2016-14 as of June 30, 2018 and 2017 are summarized as follows:

	2018		
	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications:			
As previously presented:			
Unrestricted	\$69,453,592	\$ -	\$ 69,453,592
Temporarily restricted	-	37,571,685	37,571,685
Permanently restricted	-	<u>57,048,512</u>	<u>57,048,512</u>
Net assets as previously presented	69,453,592	94,620,197	164,073,789
Reclassifications to implement ASU 2016-14:			
Underwater endowment funds	<u>36,959</u>	<u>(36,959)</u>	<u>-</u>
Net Assets, as Reclassified	<u>\$69,490,551</u>	<u>\$94,583,238</u>	<u>\$164,073,789</u>
	2017		
	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications:			
As previously presented:			
Unrestricted	\$68,103,474	\$ -	\$ 68,103,474
Temporarily restricted	-	36,844,035	36,844,035
Permanently restricted	-	<u>57,048,512</u>	<u>57,048,512</u>
Net assets as previously presented	68,103,474	93,892,547	161,996,021
Reclassifications to implement ASU 2016-14:			
Underwater endowment funds	<u>32,218</u>	<u>(32,218)</u>	<u>-</u>
Net Assets, as Reclassified	<u>\$68,135,692</u>	<u>\$93,860,329</u>	<u>\$161,996,021</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

p - Comparative Financial Information

For comparability, certain 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2019.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2 - Information Regarding Liquidity and Availability (continued)

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

Financial Assets at Year End:	
Cash and cash equivalents	\$ 15,257,052
Accounts receivable	820,743
Contributions receivable	2,379,811
Beneficial interest in charitable trust	1,460,000
Investments	115,460,895
Restricted certificates of deposit	<u>487,059</u>
Total Financial Assets	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	(11,316,123)
Plus: Net assets with donor restrictions expected to be met in less than one year	3,492,786
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(83,543,102)
Plus: Amounts appropriated for use within one year	3,972,112
Net assets restricted by Board, subject to spending policy and appropriation	(25,493,724)
Plus: Amounts appropriated for use within one year	831,659
Restricted certificates of deposit	<u>(487,059)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 23,322,109</u>

In addition to these financial assets available within one year, the Theater maintains board-designated endowments of approximately \$16,376,000 (excluding the 2020 appropriation of approximately \$832,000) and operating and production reserves of approximately \$8,286,000. These amounts could be made available at any time to meet cash needs for general expenditures at the discretion of the Board of Directors.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3 - Restrictions on Assets

a - Without Donor Restrictions - Board-Designated Net Assets

Net assets without donor restrictions are comprised of the following:

	<u>2019</u>	<u>2018</u>
Operating	\$11,874,885	\$ 8,225,564
Property and equipment	35,147,599	37,659,005
Reserves and Quasi-Endowments:		
Board-designated operating reserve	6,700,000	4,700,000
Bernard Gersten LCT Productions Fund	1,585,930	1,835,930
Board-designated quasi-endowment	15,980,664	15,852,724
Doris Duke Charitable Foundation		
quasi-endowment	<u>1,227,130</u>	<u>1,217,328</u>
	<u>\$72,516,208</u>	<u>\$69,490,551</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 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 operating funds. All or part of the principal may be expended by vote of the Board of Directors. During the year ended June 30, 2019, \$2,000,000 of operating surplus was added to the operating reserve by vote of the Board of Directors.

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, 2019, \$250,000 was expended from this fund for the production of *The Hard Problem* at the Mitzi E. Newhouse Theater.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3 - Restrictions on Assets (continued)

a - Without Donor Restrictions - Board-Designated Net Assets (continued)

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, 2019 and 2018. 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.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Theatrical productions	\$ 4,402,042	\$ 4,263,892
Playwrights and other commissions	613,566	605,206
Literary activities	4,000,000	4,250,000
Capital projects	314,753	198,251
Other programs	13,922	445,930
	<u>9,344,283</u>	<u>9,763,279</u>
Subject to passage of time:		
Future periods	511,840	662,601
Beneficial interest in charitable trust (Note 8)	<u>1,460,000</u>	<u>1,256,574</u>
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
Cash reserve	306,471	296,479
Lila Acheson & DeWitt Wallace Endowment	22,876,774	22,330,689
Doris Duke Charitable Foundation Endowment	933,312	903,391
Other endowments	<u>2,378,033</u>	<u>2,321,713</u>
	<u>26,494,590</u>	<u>25,852,272</u>
Investment in perpetuity:		
Cash reserve	941,307	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	<u>7,982,209</u>	<u>7,982,209</u>
	<u>57,048,512</u>	<u>57,048,512</u>
Total Endowments	<u>83,543,102</u>	<u>82,900,784</u>
Total Net Assets With Donor Restrictions	<u>\$94,859,225</u>	<u>\$94,583,238</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3 - Restrictions on Assets (continued)

b - Net Assets With Donor Restrictions (continued)

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

1 - Cash Reserve

This 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 donor-restricted endowment fund which may be borrowed. No amounts were borrowed during the fiscal years ended June 30, 2019 and 2018. Investment income (or loss) from the cash reserve is appropriated to operations according to the general spending policy for endowment funds.

2 - Lila Acheson & DeWitt Wallace Endowment

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3 - Restrictions on Assets (continued)

b - Net Assets With Donor Restrictions (continued)

3 - Doris Duke Charitable Foundation Endowment (continued)

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

4 - Other Endowments

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

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

Consistent with the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), the Theater classifies as 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4 - Endowment Funds (continued)

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

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

The Theater's endowment funds are summarized by type of fund and net asset classification as follows, with fair value of investments as of June 30, 2019 and 2018:

	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>
	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Investment Income Above Original Amount	Investment in Perpetuity	
Donor-restricted endowment funds	\$ -	\$25,852,272	\$57,048,512	\$82,900,784
Board-designated endowment funds	<u>17,070,052</u>	<u>-</u>	<u>-</u>	<u>17,070,052</u>
Total Endowment Funds	<u>\$17,070,052</u>	<u>\$25,852,272</u>	<u>\$57,048,512</u>	<u>\$99,970,836</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 \$34,798, 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, 2019.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4 - Endowment Funds (continued)

Changes in the fair value of the cash and investments of the Theater's endowment funds for the years ended June 30, 2019 and 2018 are summarized as follows:

	2019			Total
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	
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>
	2018			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	Total
Endowment funds, beginning of year	\$16,615,905	\$23,680,931	\$57,048,512	\$97,345,348
Investment return	1,266,147	6,174,593	-	7,440,740
Appropriation of endowment assets for expenditure	<u>(812,000)</u>	<u>(4,003,252)</u>	<u>-</u>	<u>(4,815,252)</u>
Endowment Funds, End of Year	<u>\$17,070,052</u>	<u>\$25,852,272</u>	<u>\$57,048,512</u>	<u>\$99,970,836</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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4 - Endowment Funds (continued)

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, 2019, 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 (\$487,059 at June 30, 2019) are pledged as collateral for a salary bond under a security agreement with Actors' Equity Association. This amount was \$486,908 at June 30, 2018.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

	<u>2019</u>	<u>2018</u>
Bank accounts	\$ 3,957,679	\$ 3,296,154
Money market funds	<u>11,299,373</u>	<u>19,575,996</u>
	<u>\$15,257,052</u>	<u>\$22,872,150</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, 2019, 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, 2019 and 2018:

	<u>2019</u>			<u>2018</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	\$ 4,078,880	\$ 4,078,880	\$4,078,880	\$ 15,920	\$ 15,920	\$ 15,920
Marketable debt and equity securities	141,831	148,963	148,963	44,249	146,745	146,745
Mutual fund - intermediate-term Treasury	3,330,058	3,454,555	3,454,555	-	-	-
Mutual fund - mixed asset classes	-	-	-	8,166,870	8,200,057	8,200,057
Mutual fund - short-term Treasury	<u>2,128,148</u>	<u>2,117,041</u>	<u>2,117,041</u>	<u>2,073,124</u>	<u>2,032,233</u>	<u>2,032,233</u>
Total Assets in Fair Value Hierarchy	<u>9,678,917</u>	<u>9,799,439</u>	<u>9,799,439</u>	<u>10,400,163</u>	<u>10,394,955</u>	<u>10,394,955</u>
Alternative Investments						
Investment fund - U.S. equities	37,878,286	40,196,613		26,348,270	35,885,514	
Investment funds - non-U.S. equities	20,243,723	25,771,793		19,678,862	25,284,461	
Investment fund - bank loans	3,500,000	3,376,127		3,500,000	3,414,549	
Hedge funds	28,936,391	33,141,033		29,027,318	30,952,559	
Private equity funds	1,114,616	2,406,251		631,152	2,261,323	
Private equity - distressed opportunities	<u>-</u>	<u>769,639</u>		<u>-</u>	<u>1,124,552</u>	
Total Investments Measured at Net Asset Value	<u>91,673,016</u>	<u>105,661,456</u>		<u>79,185,602</u>	<u>98,922,958</u>	
Total Investments	<u>\$101,351,933</u>	<u>\$115,460,895</u>	<u>\$9,799,439</u>	<u>\$89,585,765</u>	<u>\$109,317,913</u>	<u>\$10,394,955</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6 - Investments (continued)

Investment income consists of:

	2019					
	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Operating and Production Reserves	Quasi-Endowment	Total Without Donor Restrictions		
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 \$853,804	267,313	633,551	1,653,448	2,554,312	8,014,135	10,568,447
Unrealized loss on investments	<u>(144,494)</u>	<u>(337,160)</u>	<u>(879,925)</u>	<u>(1,361,579)</u>	<u>(4,261,607)</u>	<u>(5,623,186)</u>
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>
	2018					
	Without Donor Restrictions				With Donor Restrictions	Total
	Operating	Operating and Production Reserves	Quasi-Endowment	Total Without Donor Restrictions		
Interest and dividends	\$150,782	\$ 83,946	\$ 198,229	\$ 432,957	\$ 970,443	\$1,403,400
Realized gain on sale of investments, net of fees and expenses of \$707,847	294,500	341,043	805,325	1,440,868	3,907,658	5,348,526
Unrealized gain on investments	<u>100,241</u>	<u>113,211</u>	<u>262,593</u>	<u>476,045</u>	<u>1,296,492</u>	<u>1,772,537</u>
Total from Investments	<u>\$545,523</u>	<u>\$538,200</u>	<u>\$1,266,147</u>	<u>\$2,349,870</u>	<u>\$6,174,593</u>	<u>\$8,524,463</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, 2019, the Theater had made investments totaling approximately \$10,400,000 leaving an outstanding commitment of approximately \$4,200,000.

At June 30, 2019, concentrations of the Theater's investments in excess of 10% of the fair value of its portfolio included approximately 50% invested in two investment funds. Each of these investments is in a fund of funds or an investment fund with a diversified portfolio of underlying investments, with no significant concentrations in any single holding.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6 - Investments (continued)

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

	<u>2019</u>	<u>2018</u>
Hedge Funds and Investment Funds:		
Daily redemption with no notice	\$ 2,008,094	\$ 1,952,993
Weekly redemption with two-week notice	-	1,817,005
Monthly redemption with two-week notice	17,135,663	17,050,763
Monthly redemption with thirty days' notice	6,906,943	7,878,249
Quarterly redemption with sixty days' notice	47,832,356	38,977,182
Quarterly redemption with sixty-five days' notice	4,929,317	4,897,528
Quarterly redemption with ninety-five days' notice and three-year lockup	1,432,885	-
Semi-annual redemption with sixty days' notice	11,347,589	7,740,568
Annual redemption with ninety-five days' notice	10,892,719	11,129,926
In process of liquidation	-	<u>4,092,869</u>
	<u>102,485,566</u>	<u>95,537,083</u>
Private Equity Funds:		
No opportunity for redemption; distributions made only at fund's discretion	<u>3,175,890</u>	<u>3,385,875</u>
	<u>\$105,661,456</u>	<u>\$98,922,958</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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6 - Investments (continued)

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.

Note 7 - Contributions Receivable

Contributions receivable are due as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	<u>Total</u>
<u>Year Ending June 30,</u>			
2020	\$355,929	\$ 925,000	\$1,280,929
2021	-	625,000	625,000
2022	-	375,000	375,000
2023	-	125,000	125,000
	<u>355,929</u>	<u>2,050,000</u>	<u>2,405,929</u>
Less: Discount to present value	<u>-</u>	<u>(26,118)</u>	<u>(26,118)</u>
	<u>\$355,929</u>	<u>\$2,023,882</u>	<u>\$2,379,811</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 - 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 remainder beneficiary. Under the terms of the trust, the Theater was to receive annual distributions of \$6,000. Upon the death of the donor and lead beneficiary, the Theater was to receive a distribution of remainder interest. Based on donor and beneficiary life expectancy and the use of a 3.5% long-term discount rate, at June 30, 2018, the present value of the interest in the charitable trust, considered Level 3 in the fair value hierarchy, was \$1,256,574. The lead beneficiary died in June 2019, and the balance as of June 30, 2019 is reflected at the amount the Theater received in August 2019 as the remainder interest (\$1,460,000).

Note 9 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Leasehold improvements	10-25 years	\$68,628,937	\$68,623,521
Furniture, fixtures and equipment	5-15 years	<u>3,556,207</u>	<u>3,503,930</u>
		72,185,144	72,127,451
Less: Accumulated depreciation		<u>(37,037,545)</u>	<u>(34,468,446)</u>
		<u>\$35,147,599</u>	<u>\$37,659,005</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 - 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, 2019, \$1,400,271 in membership fees were recognized as income. At June 30, 2019, \$640,732 in unamortized fees remained deferred. These amounts were \$1,450,205 and \$698,102, respectively, in 2018.

Note 11 - Commitments and Contingency

a - Certain management compensation is guaranteed by contract. As of June 30, 2019, the following remains to be paid:

<u>Year Ending June 30,</u>	
2020	\$1,226,857
2021	800,000
2022	800,000

b - As of June 30, 2019, approximately 80% 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 continuing use of the facility as a not-for-profit cultural institution through December 31, 2019.

In the fiscal year ending June 30, 2019, the City of New York spent \$1,334 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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 12 - 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 \$1,085,288 (2019) and \$1,060,203 (2018).

The Theater also shares in Lincoln Center's Corporate Fund (\$368,144 in 2019) and receives a portion of underground garage revenue (\$249,746) and New York City funding (\$45,680) in exchange for its sharing in the maintenance of the Lincoln Center public areas. These amounts were \$368,849, \$235,455 and \$44,766 in 2018, 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 \$761,971 and \$640,929 to fund pension obligations in the years ended June 30, 2019 and 2018, respectively.

A new defined contribution 403(b) plan has been 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 will contribute 3% of the compensation of all eligible employees and will match the 403(b) salary deferrals of these eligible employees up to an additional 3% of their compensation.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 2019 and 2018 is for the plan's year-end at December 31, 2018 and December 31, 2017, 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, 2019

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>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>		
Equity-League Pension Trust Fund (Actors and Stage Managers)	13-6696817/001	Green	Green	N/A	\$ 500,743	\$ 271,111	No	February 13, 2022
Pension Fund of Local No. One, IATSE (Stage Employees)	13-6414973/001	Green	Green	N/A	461,945	414,939	No	June 28, 2020
American Federation of Musicians and Employers' Pension Fund	51-6120204/001	Red	Red	Implemented	452,971	118,757	Yes	July 7, 2019
Pension Fund of Wardrobe Local 764, IATSE	13-6137855/001	Green	Green	N/A	103,373	58,015	No	November 29, 2020
League-ATPAM Pension Fund (Managers and Press Agents)	13-2928856/001	Green	Green	N/A	53,610	52,967	No	September 23, 2023
Treasurers and Ticket Sellers Local 751 Pension Fund	13-6164776/001	Green	Green	N/A	50,593	47,468	No	August 30, 2023
All other multiemployer plans - total of five other plans					<u>121,521</u>	<u>91,774</u>		
					<u>\$1,744,756</u>	<u>\$1,055,031</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, 2019

Note 14 - Fundraising Benefits

During each of the years ended June 30, 2019 and 2018, the Theater held fundraising benefits. The following reflects the activity from these events:

	<u>2019</u>	<u>2018</u>
Gross revenue	\$2,447,985	\$2,400,665
Less: Direct costs	(456,665)	(265,835)
Indirect costs	<u>(78,581)</u>	<u>(85,234)</u>
Net	<u>\$1,912,739</u>	<u>\$2,049,596</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.