

**THE CHAMBER MUSIC SOCIETY
OF LINCOLN CENTER, INC.**

**Financial Statements
for years ended
June 30, 2020
and
June 30, 2019**

Independent Auditor's Report

To The Board of Directors of
The Chamber Music Society of Lincoln Center, Inc.

We have audited the accompanying financial statements of The Chamber Music Society of Lincoln Center, Inc. which comprise the statements of financial position as of June 30, 2020 and June 30, 2019 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 Chamber Music Society of Lincoln Center, Inc. as of June 30, 2020 and June 30, 2019 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

December 14, 2020

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Financial Position

Assets

	June 30	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 2,878,566	\$ 1,330,927
Due from sale of limited partnerships	8,597	21,796
Contributions receivable	2,502,793	3,009,423
Prepaid expenses and other current assets	325,401	610,626
Total current assets	5,715,357	4,972,772
Contributions receivable, net	2,974,151	4,336,289
Property and equipment, net of accumulated depreciation and amortization	5,409,741	5,385,132
Investments, at fair value	48,864,511	47,103,533
Total assets	\$ 62,963,760	\$ 61,797,726

Liabilities and Net Assets

Current liabilities		
Accounts payable, taxes payable and accrued expenses	\$ 695,606	\$ 1,202,311
Advance box office receipts	491,208	1,080,037
Total current liabilities	1,186,814	2,282,348
Loan payable	583,338	-
Total liabilities	1,770,152	2,282,348
Net assets		
Without donor restrictions		
Operating	1,100,667	1,093,009
Other	21,945,343	20,655,142
Total without donor restrictions	23,046,010	21,748,151
With donor restrictions	38,147,598	37,767,227
Total net assets	61,193,608	59,515,378
Total liabilities and net assets	\$ 62,963,760	\$ 61,797,726

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Activities
Year Ended June 30, 2020
(with Summarized Comparative Information for the year ended June 30, 2019)

	2020			2019		
	Without Donor Restrictions		With Donor Restrictions	Total		Total
	Operating	Other		Total	Total	
Support and revenue						
Contributions	\$ 2,625,661	\$ 1,000,000	\$ 3,625,661	\$ 1,744,512	\$ 5,370,173	\$ 3,317,310
Contributions – Campaign for the 50 th	81,899	143,000	224,899	105,904	330,803	4,922,283
Box office receipts	1,685,987	-	1,685,987	-	1,685,987	1,721,701
Touring	720,567	-	720,567	-	720,567	1,030,471
Long-term investment return	2,037,517	-	2,037,517	-	2,087,517	1,815,407
designated for current operations	-	(47,530)	(47,530)	(47,728)	(145,258)	1,168,870
Long-term investment return in excess	146,849	-	146,849	-	146,849	187,477
of spending rate	64,626	-	64,626	-	64,626	80,115
Other investment return	1,019,348	-	1,019,348	-	1,019,348	1,349,915
Rent, royalties and miscellaneous	(66,099)	-	(66,099)	-	(66,099)	(223,151)
Benefits	8,316,355	1,095,470	9,411,825	1,802,688	11,214,513	15,370,398
Less: direct benefits expenses	719,145	703,172	1,422,317	(1,422,317)	-	-
Sub-total	9,035,500	1,798,642	10,834,142	380,371	11,214,513	15,370,398
Net assets released from restrictions						
Total support and revenue						
Expenses						
Program services						
Performances	4,441,217	247,996	4,689,213	-	4,689,213	4,584,626
Touring	1,033,273	31,892	1,065,165	-	1,065,165	1,235,968
Education	547,000	21,409	568,409	-	568,409	655,862
Commissioning new music	58,780	-	58,780	-	58,780	14,811
Recording-production/distribution	753,996	81,390	835,386	-	835,386	781,471
Stoeger Prize for composers	-	-	-	-	-	9,685
Total program services	6,834,266	382,687	7,216,953	-	7,216,953	7,282,423
Supporting activities						
Management and general	1,039,383	33,593	1,072,976	-	1,072,976	1,272,491
Fundraising	1,154,193	92,161	1,246,354	-	1,246,354	1,292,167
Total supporting activities	2,193,576	125,754	2,319,330	-	2,319,330	2,564,658
Total expenses	9,027,842	508,441	9,536,283	-	9,536,283	9,847,081
Increase in net assets	7,658	1,290,201	1,297,859	380,371	1,678,230	5,523,317
Net assets, beginning of year	1,093,009	20,655,142	21,748,151	37,767,227	59,515,378	53,992,061
Net assets, end of year	\$ 1,100,667	\$ 21,945,343	\$ 23,046,010	\$ 38,147,598	\$ 61,193,608	\$ 59,515,378

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Operating	Other	Restrictions	
Support and revenue				
Contributions	\$ 2,326,583	\$ -	\$ 990,727	\$ 3,317,310
Contributions – Campaign for the 50 th	106,873	45,000	4,770,410	4,922,283
Box office receipts	1,721,701	-	-	1,721,701
Touring	1,030,471	-	-	1,030,471
Long-term investment return	1,815,407	-	-	1,815,407
designated for current operations				
Long-term investment return in excess	-	641,749	527,121	1,168,870
of spending rate	169,560	17,917	-	187,477
Other investment return	80,115	-	-	80,115
Rent, royalties and miscellaneous	1,349,915	-	-	1,349,915
Benefits	(223,151)	-	-	(223,151)
Less: direct benefits expenses	8,377,474	704,666	6,288,258	15,370,398
Sub-total	973,980	914,195	(1,888,175)	-
Net assets released from restrictions	9,351,454	1,618,861	4,400,083	15,370,398
Total support and revenue				
Expenses				
Program services				
Performances	4,347,779	236,847	-	4,584,626
Touring	1,204,368	31,600	-	1,235,968
Education	634,705	21,157	-	655,862
Commissioning new music	14,811	-	-	14,811
Recording-production/distribution	715,563	65,908	-	781,471
Stoeger Prize for composers	9,685	-	-	9,685
Total program services	6,926,911	355,512	-	7,282,423
Supporting activities				
Management and general	1,239,225	33,266	-	1,272,491
Fundraising	1,195,516	96,651	-	1,292,167
Total supporting activities	2,434,741	129,917	-	2,564,658
Total expenses	9,361,652	485,429	-	9,847,081
Increase (decrease) in net assets	(10,198)	1,133,432	4,400,083	5,523,317
Net assets, beginning of year	1,103,207	19,521,710	33,367,144	53,992,061
Net assets, end of year	\$ 1,093,009	\$ 20,655,142	\$ 37,767,227	\$ 59,515,378

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Functional Expenses
 Year Ended June 30, 2020
 (with Summarized Comparative Information for year ended June 30, 2019)

	2020										2019									
	Program Services					Recording- Production/ Distribution					Supporting Activities									
	Performances	Touring	Education	Commissioning New Music	Total	Management and General	Fund- Raising	Total	Performances	Touring	Education	Commissioning New Music	Total	Management and General	Fund- Raising	Total				
Salaries and benefits	\$ 1,469,677	\$ 232,231	\$ 368,219	\$ -	\$ 374,245	\$ 559,126	\$ 770,637	\$ 1,329,763	\$ 1,469,677	\$ 232,231	\$ 368,219	\$ -	\$ 374,245	\$ 559,126	\$ 770,637	\$ 1,329,763				
Artists' fees	564,358	550,900	96,596	58,597	-	-	30,000	1,300,451	564,358	550,900	96,596	58,597	-	-	30,000	1,300,451				
Travel	115,187	141,443	4,511	-	-	6,144	9,541	276,826	115,187	141,443	4,511	-	-	6,144	9,541	276,826				
Marketing and promotion	726,173	10,290	460	-	9,200	-	-	746,123	726,173	10,290	460	-	9,200	-	-	746,123				
Credit card fees	-	-	-	-	-	58,307	-	58,307	-	-	-	-	-	58,307	-	58,307				
Hall rental and labor	915,847	-	30,510	-	60,037	-	12,395	1,018,789	915,847	-	30,510	-	60,037	-	12,395	1,018,789				
Music purchase and rental	9,407	230	991	-	-	-	-	10,628	9,407	230	991	-	-	-	-	10,628				
Programs, brochures and inserts	176,119	6,182	17,668	-	-	-	9,267	209,236	176,119	6,182	17,668	-	-	-	9,267	209,236				
Professional fees	70,736	34,513	-	-	276,957	134,567	169,681	686,454	70,736	34,513	-	-	276,957	134,567	169,681	686,454				
Dues, conferences, subscriptions	-	-	1,278	-	1,278	21,702	-	22,980	-	-	1,278	-	1,278	21,702	-	22,980				
Catering and hospitality	40,501	19,736	4,170	-	-	17,775	131,189	213,371	40,501	19,736	4,170	-	-	17,775	131,189	213,371				
Supporting services	-	-	-	-	-	13,580	-	13,580	-	-	-	-	-	13,580	-	13,580				
Insurance	-	5,573	-	-	-	57,382	-	62,955	-	5,573	-	-	-	57,382	-	62,955				
Messengers, postage, mailing	49,298	2,651	4,916	-	-	1,294	687	56,475	49,298	2,651	4,916	-	-	1,294	687	56,475				
Software	-	-	-	-	-	94,054	-	94,054	-	-	-	-	-	94,054	-	94,054				
Telephone	-	-	-	-	-	11,953	-	11,953	-	-	-	-	-	11,953	-	11,953				
Furniture, equipment and maintenance	1,253	-	-	-	5,952	12,909	-	20,114	1,253	-	-	-	5,952	12,909	-	20,114				
Depreciation and amortization	247,996	31,892	21,409	-	81,390	33,593	92,161	508,441	247,996	31,892	21,409	-	81,390	33,593	92,161	508,441				
Rose Studio maintenance	227,801	-	-	-	227,801	-	-	227,801	227,801	-	-	-	-	-	-	227,801				
Tuning and other production	62,693	22,290	17,273	-	26,220	-	-	128,476	62,693	22,290	17,273	-	26,220	-	-	128,476				
CDs, materials, and reference	1,342	-	-	-	-	11,110	15,677	28,129	1,342	-	-	-	-	11,110	15,677	28,129				
Office supplies and miscellaneous	10,825	7,234	408	183	1,385	39,480	5,119	64,634	10,825	7,234	408	183	1,385	39,480	5,119	64,634				
Total expenses	\$ 4,689,213	\$ 1,065,165	\$ 568,409	\$ 58,780	\$ 835,386	\$ 1,072,976	\$ 1,246,354	\$ 9,536,283	\$ 4,689,213	\$ 1,065,165	\$ 568,409	\$ 58,780	\$ 835,386	\$ 1,072,976	\$ 1,246,354	\$ 9,536,283				

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services						Supporting Activities		
	Performances	Touring	Education	Commissioning New Music	Recording- Production/ Distribution	Stoeger Prize	Management and General	Fund- Raising	Total
Salaries and benefits	\$1,276,493	\$ 245,643	\$ 365,119	\$ -	\$ 368,952	\$ -	\$ 543,117	\$ 742,452	\$1,285,569
Artists' fees	642,700	769,050	78,575	14,811	-	-	-	24,600	24,600
Travel	133,036	151,142	3,654	-	-	-	15,414	7,414	22,828
Marketing and promotion	756,630	6,060	-	-	52,550	-	-	-	-
Credit card fees	-	-	-	-	-	-	52,667	-	52,667
Hall rental and labor	926,565	-	140,982	-	51,264	-	-	28,552	28,552
Music purchase and rental	3,054	242	1,091	-	-	-	-	-	4,387
Programs, brochures and inserts	130,193	-	19,094	-	-	8,015	-	8,682	8,682
Professional fees	62,673	9,490	400	-	203,227	-	322,714	192,991	515,705
Dues, conferences, subscriptions	-	-	1,459	-	-	-	14,876	-	14,876
Catering and hospitality	22,163	2,879	7,635	-	-	-	31,057	156,909	187,966
Supporting services	-	-	-	-	-	-	24,114	-	24,114
Insurance	-	2,700	-	-	-	-	50,051	-	50,051
Messengers, postage, mailing	48,617	178	5,125	-	-	156	1,151	1,248	2,399
Software	-	-	-	-	-	-	82,465	-	82,465
Telephone	-	-	-	-	-	-	15,955	-	15,955
Furniture, equipment and maintenance	2,581	-	-	-	4,177	-	17,124	-	17,124
Depreciation and amortization	236,847	31,600	21,157	-	65,908	-	33,266	96,651	129,917
Rose Studio maintenance	258,147	-	-	-	-	-	-	-	-
Tuning and other production	79,999	10,858	10,336	-	34,938	-	-	100	100
CDs, materials, and reference	1,233	-	102	-	-	-	10,814	13,730	24,544
Office supplies and miscellaneous	3,695	6,126	1,133	-	455	1,514	57,706	18,838	76,544
Total expenses	\$4,584,626	\$1,235,968	\$ 655,862	\$ 14,811	\$ 781,471	\$ 9,685	\$1,272,491	\$1,292,167	\$2,564,658
									\$9,847,081

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Cash Flows

	Years Ended	
	June 30	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,678,230	\$ 5,523,317
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	508,441	485,429
Perpetually restricted contributions	(555,903)	(4,770,410)
Donated investment securities	(425,732)	(251,394)
Proceeds from sale of donated investment securities	426,466	251,394
Net realized and unrealized (gain) on long-term investments	(1,431,482)	(2,390,588)
(Increase) decrease in assets		
Contributions receivable	1,868,768	(3,416,074)
Prepaid expenses and other current assets	285,225	(201,330)
Increase (decrease) in liabilities		
Accounts payable, taxes payable and accrued expenses	(506,705)	156,804
Advance box office receipts	(588,829)	170,145
Net cash provided by (used in) operating activities	<u>1,258,479</u>	<u>(4,442,707)</u>
Cash flows from investing activities		
Proceeds from sale of investments	9,882,515	2,221,620
Purchase of investments	(10,212,745)	(2,155,300)
Proceeds on due from sale of limited partnerships	13,199	24,060
Purchases of property and equipment	(533,050)	(272,134)
Net cash (used in) investing activities	<u>(850,081)</u>	<u>(181,754)</u>
Cash flows provided by financing activities		
Proceeds from loan payable	583,338	-
Permanently restricted contributions	555,903	4,770,410
Net cash provided by financing activities	<u>1,139,241</u>	<u>4,770,410</u>
Net increase in cash and cash equivalents	1,547,639	145,949
Cash and cash equivalents, beginning of year	<u>1,330,927</u>	<u>1,184,978</u>
Cash and cash equivalents, end of year	<u>\$ 2,878,566</u>	<u>\$ 1,330,927</u>

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements
June 30, 2020 and June 30, 2019****Note 1 – Nature of organization and summary of significant accounting policies**Nature of organization

The Chamber Music Society of Lincoln Center, Inc. (the “Society”) seeks to stimulate and support the production, performance, and composition of chamber music through live concerts (local and tours), education, maintenance of a music library, and commissioning new works.

Net asset classifications

The Society reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have been fulfilled. As reflected in the accompanying statements of financial position, the Society has designated net assets without donor restrictions to operating and other net assets without donor restrictions. The operating net assets consist primarily of ongoing activities of the Society. At the Society’s year-end of June 30th, the balance of operating net assets consists of the historical cumulative increase in net assets.
- Net assets with donor restrictions contain donor-imposed restrictions that permit the Society to use or expend the assets as specified. The restrictions are satisfied either by the passage of time and/or by action of the Society. Net assets with donor restrictions also contain donor-imposed restrictions that stipulate the principal be maintained in perpetuity, but permit the Society to use, or expend part or all of the investment return derived from the donated assets for either specified or unspecified purposes.

Contributions

Unconditional promises to contribute are recognized as revenue at their fair value at the time the pledge is made.

The Society records contributions and investment return as net assets with donor restrictions if they are received with donor stipulations that limit their use, either through purpose or time restrictions and those stipulations have not been fulfilled. When donor restrictions are fulfilled in subsequent years, that is, when a purpose restriction is met or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions and investment return received with donor stipulations that limit their uses, which are fulfilled in the same reporting period, are recorded as being without donor restrictions.

The Society is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 1 – Nature of organization and summary of significant accounting policies (continued)**In-kind contributions

The Society receives in-kind goods and services that are used in support of its activities. The goods and services are recorded at the fair value based on what it would have cost the Society if purchased independently. For the fiscal year ended June 30, 2019, the Society received donated legal services totaling approximately \$166,000, which are reflected as in-kind contributions and a corresponding expense in the statements of functional expenses. The Society did not receive donated legal services during 2020. The Society has volunteers who provide periodic administrative support to the subscriptions and development department. In addition, the Society receives in-kind services rendered by other volunteers including Board members who have donated significant amounts of their time to the Society's activities. These services do not meet the criteria for recognition under the accounting standards and accordingly, have not been reflected in the financial statements.

Cash equivalents

The Society considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair value of financial instruments

Investments in equities are reported at fair value based on quoted market prices. Unrealized gains and losses are determined using quoted market prices at the respective statements of financial position dates. Realized gains and losses from sales of securities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment transactions are accounted for on a trade-date basis. The Society also invests in limited partnerships. The value of the limited partnerships, which is adjusted for unrealized gains and losses, is based upon the most recent available information provided by management of the limited partnerships. There is uncertainty in determining fair value of limited partnerships arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, time lags associated with reporting by the investee companies, and the subjective evaluation of liquidity restrictions. As a result, the estimated fair values reported in the accompanying statements of financial position might differ from the values that would have been used had a ready market for the limited partnerships' interest existed. Furthermore, there is at least a reasonable possibility that estimates will change by material amounts in the near term.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted market prices and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the hierarchy. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less active markets).

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

The fair value of the Society's investments in certain limited partnerships and other are determined using the net asset value (NAV) per share and are not included in the fair value hierarchy. These investments are reflected as a reconciling item between the total amount of investments classified within the fair value hierarchy and the total investments measured at fair value on the face of the statements of financial position.

Allowance for doubtful accounts

The Society has determined that its contributions receivable are collectable and that an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Property and equipment are capitalized at cost and depreciated and amortized using the straight-line method over the estimated useful lives of the assets. The Society capitalizes expenditures for assets in excess of a nominal amount with an estimated useful life of greater than one year.

Advertising costs

Advertising costs are expensed as incurred and amounted to \$587,743 and \$624,013 in the 2020 and 2019 fiscal years, respectively.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Functional classification of expenses

The costs of providing program services and supporting activities have been summarized in the accompanying statements of activities. Program services include costs of performances, touring, education, broadcasting, recording, and commissioning of new chamber music. Management and general expenses include executive and financial administration, and an allocable portion of building maintenance and security.

Fundraising activities of the Society includes salaries and employee benefits of program staff who develop proposals for fundraising; solicit contributions for those needs and for endowment purposes from individuals, corporations, government agencies and foundations; and conduct special fundraising events. Fundraising costs are expensed as incurred.

Expenses attributable to more than one functional category are allocated based on time and effort.

Use of estimates

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

Concentrations of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, investments and contributions receivable. The Society places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, bank balances exceed the FDIC insurance limit. However, the Society has not experienced any losses in these bank accounts to date. The Society's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statements of financial position at June 30, 2020. The Society routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. Management of the Society monitors the collectability of contributions receivable. As a consequence, management believes that concentrations of credit risk are limited.

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Society's future financial operations is not readily determinable.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through December 14, 2020, which is the date the financial statements were available to be issued.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019**

Note 2 – Liquidity and availability of financial assets

The Society's working capital and cash flows have seasonal variations during the year attributable to cash receipts from contributions, box office receipts, benefits and other revenue items.

The following is a summary of the Society's financial assets as of June 30, 2020 and June 30, 2019 that are available for general use within one year of the statements of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,878,566	\$ 1,330,927
Due from sale of limited partnerships	8,597	21,796
Contributions receivable, current portion	2,502,793	3,009,423
Investments, at fair value	<u>48,864,511</u>	<u>47,103,533</u>
Sub-total	54,254,467	51,465,679
Less: Net assets with perpetual donor restrictions	<u>(22,081,736)</u>	<u>(21,525,833)</u>
Total	<u>\$ 32,172,731</u>	<u>\$ 29,939,846</u>

Note 3 – Contributions receivable

Contributions receivable as of June 30, 2020 and June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>2020</u>	<u>2019</u>
2020	-	3,009,423
2021	2,502,793	2,191,500
2022	1,715,000	1,466,000
2023	1,389,000	1,000,000
2024	<u>64,000</u>	<u>-</u>
Sub-total	5,670,793	7,666,923
Less: amount to reduce contributions receivable to their present value (discount rate – 3.25%)	<u>(193,849)</u>	<u>(321,211)</u>
Total	<u>\$ 5,476,944</u>	<u>\$ 7,345,712</u>

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019**

Note 4 – Investments

Investments as of June 30, 2020 and June 30, 2019 consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 6,345,054	\$ 6,345,054	\$ 25,139	\$ 25,139
Mutual funds	13,280,269	14,935,305	17,091,062	19,408,482
Investments in limited partnerships and other*				
U.S. equities**	300,000	11,796,662	300,000	10,543,098
International equities**	5,210,000	12,983,146	5,280,000	13,854,066
Fixed income**	1,767,765	2,039,352	1,987,446	2,289,447
Multi-strategy**	-	10,013	-	12,095
Private equity and other**	401,543	754,979	527,795	971,206
Total long-term investments	\$27,304,631	\$48,864,511	\$25,211,442	\$47,103,533

* Interest in oil/gas leases is reflected at their donated value.

** This balance represents the fair value in excess of the Society's invested capital after distributions were reflected as a return of capital.

The Society invests in various limited partnerships. The investment objectives are to preserve capital and provide a satisfactory return with an effort to maintain a low risk profile, through various hedging strategies.

During June 2018, the Society redeemed the remaining interest in a limited partnership totaling \$21,796. In addition, it also redeemed a portion of the interest in another limited partnership totaling \$24,060. As of June 30, 2020 and June 30, 2019, \$8,597 and \$21,796, respectively, has not been received and is reflected as due from sale of limited partnerships on the statements of financial position.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019

Note 4 – Investments (continued)

The following table presents the Society's financial assets that are measured at fair value on a recurring basis at June 30, 2020 and June 30, 2019:

<u>Description</u>	2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 6,345,054	\$ 6,345,054	\$ -	\$ -
Mutual funds	14,935,305	14,935,305	-	-
Investments in limited partnerships and other:				
U.S. equities	11,796,662	-	-	11,796,662
Private equity and other	<u>594,083</u>	<u>-</u>	<u>-</u>	<u>594,083</u>
Sub-total of investments	33,671,104	<u>\$ 21,280,359</u>	<u>\$ -</u>	<u>\$ 12,390,745</u>
Investments in limited partnerships and other measured at NAV				
International equities	12,983,146			
Fixed income	2,039,352			
Multi-strategy	10,013			
Private equity and other	<u>160,896</u>			
Total investments	<u>\$ 48,864,511</u>			
<u>Description</u>	2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 25,139	\$ 25,139	\$ -	\$ -
Mutual funds	19,408,482	19,408,482	-	-
Investments in limited partnerships and other:				
U.S. equities	10,543,098	-	-	10,543,098
Private equity and other	<u>774,819</u>	<u>-</u>	<u>-</u>	<u>774,819</u>
Sub-total of investments	30,751,538	<u>\$ 19,433,621</u>	<u>\$ -</u>	<u>\$ 11,317,917</u>
Investments in limited partnerships and other measured at NAV				
International equities	13,854,066			
Fixed income	2,289,447			
Multi-strategy	12,095			
Private equity and other	<u>196,387</u>			
Total investments	<u>\$ 47,103,533</u>			

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019**

Note 4 – Investments (continued)

The following is a summary of changes in the fair value of the Society's Level 3 investments for the years ended June 30, 2020 and June 30, 2019:

	<u>U.S. Equities</u>	<u>Private Equity and Other</u>	<u>Total</u>
Balance, June 30, 2018	9,412,348	875,331	10,287,679
Transfers out	-	(47,448)	(47,448)
Net realized and unrealized gain	<u>1,130,750</u>	<u>(53,064)</u>	<u>1,077,686</u>
Balance, June 30, 2019	\$ 10,543,098	\$ 774,819	\$ 11,317,917
Transfers out	-	(137,758)	(137,758)
Net realized and unrealized gain (loss)	<u>1,253,564</u>	<u>(42,978)</u>	<u>1,210,586</u>
Balance, June 30, 2020	\$ <u>11,796,662</u>	\$ <u>594,083</u>	\$ <u>12,390,745</u>

The Society uses NAV, or its equivalent, to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists such investments by major class:

<u>Strategies of Limited Partnerships</u>	<u>Notice</u>	<u>NAV per Share</u>	<u>Redemption Frequency</u>	<u>Next Withdrawal Date</u>
U.S. Equities - 1	1 fund with 60 days	N/A	Quarterly	12/31/2020
International Equities – 4	1 fund with 10 days	125	Monthly	12/31/2020
	3 funds with 90 days	2,603	Monthly	12/31/2020
		131	Annually	6/30/2020
		178	Annually	6/30/2020
Fixed Income – 2	2 funds with 60 days	1,188	Quarterly	12/31/2020
		1,127	Quarterly	12/31/2020
Multi-strategy - 2	2 funds with 90 days	1,582	Quarterly	Liquidating
		594	Quarterly	Liquidating

Private Equity and other - 5 Capital is returned by each partnership over its contractual life.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 4 – Investments (continued)

Level 3 valuation techniques

Following is a description of the valuation methodologies used for Level 3 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and June 30, 2019.

Fair value measurements allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Society to value these investments is the net asset value (NAV) per share, or its equivalent. Valuations provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. The Society reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The preceding methods described for the limited partnerships and similar type investments may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment return and its classification in the statements of activities for the year ended June 30, 2020 were as follows:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Dividends and interest	\$ 606,715	\$ -	\$ 606,715
Royalties from oil/gas leases	144,583	-	144,583
Net realized and unrealized gain (loss)	<u>1,479,210</u>	<u>(47,728)</u>	<u>1,431,482</u>
Net return (loss) on long-term investments	2,230,508	(47,728)	2,182,780
Interest on short-term investments	<u>1,532</u>	<u>-</u>	<u>1,532</u>
Net return (loss) on investments	2,232,040	(47,728)	2,184,312
Less: Amounts designated for current operations			
Long-term investment return	(2,037,517)	-	(2,037,517)
Other investment return	(146,849)	-	(146,849)
Investment advisory fees	<u>(95,204)</u>	<u>-</u>	<u>(95,204)</u>
Long-term investment return (loss) after deduction of amounts designated for current operations	<u>\$ (47,530)</u>	<u>\$ (47,728)</u>	<u>\$ (95,258)</u>

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 5 – Property and equipment

Property and equipment consisted of the following as of June 30, 2020 and June 30, 2019:

	Useful Life	2020	2019
Land	N/A	\$ 280,647	\$ 280,647
Furniture, pianos and equipment	5-20 years	1,325,358	1,270,379
Rose Building: interior	10-20 years	1,882,530	1,500,718
Rose Building: core and shell	10-40 years	2,867,797	2,855,789
Alice Tully Hall leasehold improvements and other improvements	3-30 years	<u>5,158,177</u>	<u>5,158,177</u>
Sub-total		11,514,509	11,065,710
Less: accumulated depreciation and amortization		<u>6,104,768</u>	<u>5,680,578</u>
Total		<u>\$ 5,409,741</u>	<u>\$ 5,385,132</u>

During fiscal 2020 and 2019, the Society wrote off fully depreciated property and equipment totaling \$84,251 and \$2,274,652, respectively.

Note 6 – Loan payable

During 2020, the Society applied for and received \$583,338 under the Paycheck Protection Program (“PPP”) which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Society has elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and the Society is legally released. The Society believes it has spent all of the proceeds in accordance with the terms of PPP loan program and expects to have the loan forgiven in its entirety during the 2021 fiscal year. Any amounts not forgiven are subject to interest at a fixed rate of 1% for a two year-term.

Note 7 – Commitments

The Society has entered into various commitments for compositions, hall rentals, and artists’ contracts. As of June 30, 2020, the following is a summary of the annual future commitments:

<u>Fiscal year</u>	<u>Amount</u>
2021	\$2,399,195

During May 2009, the Society entered into a Constituency Agreement with Lincoln Center for the Performing Arts, Inc. (“LCPA”) for space in the newly-renovated Alice Tully Hall. The term of this agreement is 25 years from the date of inception. During this term, both parties agree to fully perform all of their obligations under the lease, except to the extent that such obligations have been modified. Under this agreement, the Society has agreed to pay certain rental and administrative fees, as well as its pro-rata share of any deficit and capital renewals and renovations, which may result from the yearly operation of Alice Tully Hall. The Society’s share of the deficit in fiscal years 2020 and 2019 was \$382,149 and \$143,810, respectively.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 7 – Commitments (continued)**

The Society is a party to the Final Participants Agreement (the “Agreement”), dated May 19, 1987. As a part of the Agreement, the Society has a proprietary lease agreement with the LCPA for its occupancy in the Rose Building through June 2034. The Society has the option to extend the lease for two successive periods of 25 years, subject to certain terms and conditions as outlined in the Agreement. Under the agreement, the Society is obligated to pay its share of the costs of operating the building. Such costs totaled \$179,417 and \$196,098 in the 2020 and 2019 fiscal years, respectively.

Note 8 – Pension and retirement plans**Multiple-employer defined benefit pension plan**

The Society participates in a multiple-employer defined benefit pension plan maintained by Lincoln Center for the Performing Arts (“LCPA”) along with certain of its Constituents, which covers substantially all full-time non-union employees. Employers’ contributions to the plan are commingled and available to pay the benefits of all plan participants.

During February 2017, the Society adopted a modified soft freeze of this plan pursuant to which its eligible employees will continue to participate in the plan after June 30, 2017, with a “career average pay” plan design at a 1.5% accrual rate in lieu of the existing plan accrual formula, which shall be frozen effective June 30, 2017. This change does not affect the pension benefit accruing to vested employees through and including June 30, 2017. The employees hired by the Society after June 30, 2017, are not eligible to participate in the plan, but will instead be eligible to receive employer contributions under a multiple-employer defined contribution plan at a contribution rate to be determined from time to time, in consultation with the Society’s Finance Committee, subject to a vesting schedule.

Defined contribution plans

The Society also participated in a non-contributory multiple-employer defined contribution plan maintained by LCPA for employees who do not participate in the LCPA multiple-employer defined benefit pension plan. The Society contributed 3% of an eligible employee’s compensation. The Society ceased participating in the plan effective December 31, 2019 and effective January 1, 2020, the Society provides a single employer 403(b) plan for eligible employees who do not participate in the LCPA multiple-employer defined benefit pension plan. For the 403(b) plan, the Society contributes 3% of an eligible employee’s compensation. The Society also matches 50% of employee contributions up to 2% of compensation.

For fiscal years 2020 and 2019, the Society contributed \$202,639 and \$183,298, respectively, to the plans.

Note 9 – Net assets

The Society reports its restricted net assets in accordance with Accounting Standards Topic 958 – Endowments. The Society follows the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after the date it was enacted.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019**

Note 9 – Net assets (continued)

The Society's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and various funds designated by the Board of Directors that are not donor restricted. The Society acts prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Society classifies as net assets with perpetual donor restrictions the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets without donor restrictions or net assets with temporary donor restrictions based on donor stipulations. The Society has adopted the policy that investment return generated from funds with perpetual donor restrictions is to be recorded as net assets with temporary donor restrictions until such time as appropriated by the Board of Directors.

Measure of operations

The Society's measure of operations is its operating results from revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations includes investment return equal to \$2,087,517 and \$1,815,407 for fiscal 2020 and 2019, respectively, as determined by a spending rate policy of 4.5% in 2020 and 2019 of a twelve-quarter rolling average of the fair value of the endowment. The Society compares the twelve-quarter rolling average to a twenty-quarter rolling average to ensure compliance with NYPMIFA. The measure of operations excludes investment return in excess of that amount, bequests in excess of \$25,000 unless approved otherwise by the Board or net assets without donor restrictions that are Board designated, depreciation on property and equipment, investment expenses, unrelated business income taxes and expenses related to the Stoeger Prize.

The following is a summary of the Board-designated net assets without donor restrictions as of June 30, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
General	\$ 20,573,246	\$ 19,283,045
Fund for Innovation and Growth	572,097	572,097
Alice Tully Fund	400,000	400,000
Whitaker Fund	<u>400,000</u>	<u>400,000</u>
Total	<u>\$ 21,945,343</u>	<u>\$ 20,655,142</u>

The following are descriptions of the Society's Board-designated funds:

General

Consist of amounts to be used to assure adequate cash and investments are available to meet future extraordinary events or any funding reduction that may cause hardship or budgetary constraints to the Society.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 9 – Net assets (continued)****Fund for Innovation and Growth**

In order to provide seed funding for the Society to undertake, in a responsible and sustainable way, select new projects which provide special innovation and growth possibilities, the Society's Board approved establishing a "Fund for Innovation and Growth" (the "Fund") of \$800,000. In establishing the Fund, the Board set forth a rigorous process for identifying projects and deploying funds, including review and approval by the Executive Committee and approval by the Board, and the requirement that each project become self-sustaining after three years.

Alice Tully Fund

Alice Tully provided the founding grant to the Society. In 2009 an Alice Tully heir made a legacy gift of \$400,000 to the Society, which the Board labelled the Alice Tully Fund. In 2009, the Board approved a use of up to \$50,000 per year to cover potential budgetary and operational shortfalls. This allocation has been approved in annual budgets since 2011 but never utilized.

Whitaker Fund

In 2006, the Whitaker Fund was established by a former board member to support the activity of young artists. In 2009, the Board approved a use of up to \$50,000 per year to cover potential budgetary and operational shortfalls. This allocation has been approved in annual budgets since 2011 but never utilized.

Campaign for the 50th

On October 19, 2016, the Board of Directors adopted a plan to launch a *Campaign for the 50th* (the "Campaign") as the Society approaches its 50th anniversary. The Campaign's purpose is to both raise annual operating funds and to increase the board designated endowment fund in order to strengthen and grow its financial sustainability and secure continuation of its leadership position into the future as the foremost presenter and producer of chamber music in the world. As of the end of the 2018 fiscal year, Board Members have signed pledges totaling \$4,857,500 to the Campaign over and above their current annual giving. Of these gifts, 90% will be allocated to the general Board-designated endowment and 10% will be allocated to a Campaign Operating Fund to be spent for current operations as needed. The present value of the total outstanding pledges at June 30, 2020, discounted at the rate of 3.25%, amounts to \$1,455,952 and is included in contributions receivable on the statements of financial position.

In July 2018, the Society received a \$5 million pledge ("Fund"), payable in annual installments of \$1 million for five years, to go toward the Campaign for the 50th. The pledge is recorded as perpetually restricted with investment return from the Fund to be used to support programs, performance opportunities and other activities designed to enhance and further the careers of talented young chamber musicians.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019

Note 9 – Net assets (continued)

The following is a summary of the net assets with temporary donor restrictions as of and for the year ended June 30, 2020 and June 30, 2019:

	2020				
	Balance June 30, 2019	Contributions	Investment Return	Net Assets Released from Restrictions	Balance June 30, 2020
A combination of new productions, new performances, tours, educational or audience outreach programs	\$ 2,358,038	\$ -	\$ -	\$ -	\$ 2,358,038
Time restricted/donor designated for activities in future years	1,874,008	1,294,513	-	(541,263)	2,627,258
Stoeger Prize for composers	191,080	-	33,029	-	224,109
Campaign for the 50th-time restricted	1,833,721	-	-	(881,054)	952,667
Unspent investment return earned on endowment funds	<u>9,984,547</u>	<u>-</u>	<u>(80,757)</u>	<u>-</u>	<u>9,903,790</u>
Total temporarily restricted net assets	<u>\$ 16,241,394</u>	<u>\$ 1,294,513</u>	<u>\$ (47,728)</u>	<u>\$ (1,422,317)</u>	<u>\$ 16,065,862</u>
	2019				
	Balance June 30, 2018	Contributions	Investment Return	Net Assets Released from Restrictions	Balance June 30, 2019
A combination of new productions, new performances, tours, educational or audience outreach programs	\$ 2,358,038	\$ -	\$ -	\$ -	\$ 2,358,038
Time restricted/donor designated for activities in future years	1,342,856	990,727	-	(459,575)	1,874,008
Stoeger Prize for composers	171,352	-	29,413	(9,685)	191,080
Campaign for the 50th-time restricted	3,252,636	-	-	(1,418,915)	1,833,721
Unspent investment return earned on endowment funds	<u>9,486,839</u>	<u>-</u>	<u>497,708</u>	<u>-</u>	<u>9,984,547</u>
Total temporarily restricted net assets	<u>\$ 16,611,721</u>	<u>\$ 990,727</u>	<u>\$ 527,121</u>	<u>\$ (1,888,175)</u>	<u>\$ 16,241,394</u>

The Society may expend the restricted net assets for program activities shown in the first line above, subject to certain conditions, including there being an extraordinary need and meeting certain matching gift requirements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2020 and June 30, 2019**

Note 9 – Net assets (continued)

The Society's investment policy is structured in order to ensure that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending; to preserve the constant dollar value and purchasing power of the endowment for future generations; and to preserve the principal of operating cash and reserves while producing market-level income. In addition, this policy outlines appropriate risk and return objectives, offers asset allocation guidelines, describes suitable investments, and defines the responsibilities of the Society's Finance Committee and any investment consultant with respect to the investment of the Society's assets.

Net assets with perpetual donor restrictions as of June 30, 2020 and June 30, 2019 consisted of the following endowment funds:

	<u>2020</u>	<u>2019</u>
A combination of new productions, new performances, tours, educational or audience outreach programs	\$ 9,432,151	\$ 9,432,151
Chairs	1,729,494	1,729,494
Bowers program	4,876,313	4,770,410
Stoeger Prize for composers	445,692	445,692
Media	500,000	500,000
Taplin commissioning	461,054	461,054
Rose building maintenance	118,731	118,731
Wallach endowment	450,000	-
General	<u>4,068,301</u>	<u>4,068,301</u>
Total net assets with perpetual donor restrictions	<u>\$ 22,081,736</u>	<u>\$ 21,525,833</u>

As of June 30, 2020 and June 30, 2019, there were no restricted or designated funds with deficiencies.

Note 10 – Tax status

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Society has been classified by the Internal Revenue Service as an organization, which is not a private foundation within the meaning of Section 509(a)(1) of the Code. The Society qualifies for the maximum charitable contribution deduction by donors. In certain years, a portion of the Society's investment return constitutes unrelated business income.