

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

**Financial Statements
for years ended
June 30, 2019
and
June 30, 2018**

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, 2019 and June 30, 2018 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, 2019 and June 30, 2018 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 16, 2019

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Financial Position

Assets

	June 30	
	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 1,330,927	\$ 1,184,978
Due from sale of limited partnerships	21,796	45,856
Contributions receivable	3,009,423	1,549,571
Prepaid expenses and other current assets	<u>610,626</u>	<u>409,296</u>
Total current assets	4,972,772	3,189,701
Contributions receivable, net of current portion	4,336,289	2,380,067
Property and equipment, net of accumulated depreciation and amortization	5,385,132	5,598,427
Investments, at fair value	<u>47,103,533</u>	<u>44,779,265</u>
Total assets	<u>\$ 61,797,726</u>	<u>\$ 55,947,460</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable, taxes payable and accrued expenses	\$ 1,202,311	\$ 1,045,507
Advance box office receipts	<u>1,080,037</u>	<u>909,892</u>
Total current liabilities	<u>2,282,348</u>	<u>1,955,399</u>
Net assets		
Without donor restrictions		
Operating	1,093,009	1,103,207
Other	<u>20,655,142</u>	<u>19,521,710</u>
Total without donor restrictions	21,748,151	20,624,917
With donor restrictions	<u>37,767,227</u>	<u>33,367,144</u>
Total net assets	<u>59,515,378</u>	<u>53,992,061</u>
Total liabilities and net assets	<u>\$ 61,797,726</u>	<u>\$ 55,947,460</u>

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Activities
 Year Ended June 30, 2019
 (with Summarized Comparative Information for the year ended June 30, 2018)

	2019			2018		
	Without Donor Restrictions		With Donor Restrictions	Total		Total
	Operating	Other	Total	Restrictions	Total	Total
Support and revenue						
Contributions	\$ 2,326,583	\$ -	\$ 2,326,583	\$ 990,727	\$ 3,317,310	\$ 3,467,377
Contributions – Campaign for the 50 th	106,873	45,000	151,873	4,770,410	4,922,283	886,409
Box office receipts	1,721,701	-	1,721,701	-	1,721,701	1,749,742
Touring	1,030,471	-	1,030,471	-	1,030,471	990,471
Long-term investment return	1,815,407	-	1,815,407	-	1,815,407	1,720,093
designated for current operations	-	641,749	641,749	527,121	1,168,870	2,701,045
Long-term investment return in excess	-	17,917	187,477	-	187,477	128,254
of spending rate	169,560	-	80,115	-	80,115	76,631
Other investment return	80,115	-	1,349,915	-	1,349,915	1,192,244
Rent, royalties and miscellaneous	1,349,915	-	(223,151)	-	(223,151)	(185,649)
Benefits	(223,151)	-	9,082,140	6,288,258	15,370,398	12,726,617
Less: direct benefits expenses	8,377,474	704,666	1,888,175	(1,888,175)	-	-
Sub-total	973,980	914,195	10,970,315	4,400,083	15,370,398	12,726,617
Net assets released from restrictions	9,351,454	1,618,861	-	-	-	-
Total support and revenue						
Expenses						
Program services						
Performances	4,347,779	236,847	4,584,626	-	4,584,626	4,577,612
Touring	1,204,368	31,600	1,235,968	-	1,235,968	1,608,412
Education	634,705	21,157	655,862	-	655,862	589,614
Commissioning new music	14,811	-	14,811	-	14,811	17,149
Recording-production/distribution	715,563	65,908	781,471	-	781,471	567,959
Stoeger Prize for composers	9,685	-	9,685	-	9,685	25,000
Total program services	6,926,911	355,512	7,282,423	-	7,282,423	7,385,746
Supporting activities						
Management and general	1,239,225	33,266	1,272,491	-	1,272,491	935,463
Fundraising	1,195,516	96,651	1,292,167	-	1,292,167	985,371
Total supporting activities	2,434,741	129,917	2,564,658	-	2,564,658	1,920,834
Total expenses	9,361,652	485,429	9,847,081	-	9,847,081	9,306,580
Increase (decrease) in net assets	(10,198)	1,133,432	1,123,234	4,400,083	5,523,317	3,420,037
Net assets, beginning of year	1,103,207	19,521,710	20,624,917	33,367,144	53,992,061	50,572,024
Net assets, end of year	\$ 1,093,009	\$ 20,655,142	\$ 21,748,151	\$ 37,767,227	\$ 59,515,378	\$ 53,992,061

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions		With Donor Restrictions	Total
	Operating	Other	Restrictions	Total
Support and revenue				
Contributions	\$ 2,492,167	\$ -	\$ 975,210	\$ 3,467,377
Contributions – Campaign for the 50 th	89,663	232,092	564,654	886,409
Box office receipts	1,749,742	-	-	1,749,742
Touring	990,471	-	-	990,471
Long-term investment return	1,720,093	-	-	1,720,093
designated for current operations				
Long-term investment return in excess	-	1,723,065	977,980	2,701,045
of spending rate	115,992	12,262	-	128,254
Other investment return	76,631	-	-	76,631
Rent, royalties and miscellaneous	1,192,244	-	-	1,192,244
Benefits	(185,649)	-	-	(185,649)
Less: direct benefits expenses	8,241,354	1,967,419	2,517,844	12,726,617
Sub-total	584,556	381,105	(965,661)	-
Net assets released from restrictions	8,825,910	2,348,524	1,552,183	12,726,617
Total support and revenue				
Expenses				
Program services				
Performances	4,272,376	305,236	-	4,577,612
Touring	1,583,163	25,249	-	1,608,412
Education	566,449	23,165	-	589,614
Commissioning new music	17,149	-	-	17,149
Recording-production/distribution	547,355	20,604	-	567,959
Stoeger Prize for composers	25,000	-	-	25,000
Total program services	7,011,492	374,254	-	7,385,746
Supporting activities				
Management and general	910,582	24,881	-	935,463
Fundraising	914,903	70,468	-	985,371
Total supporting activities	1,825,485	95,349	-	1,920,834
Total expenses	8,836,977	469,603	-	9,306,580
Increase (decrease) in net assets	(11,067)	1,878,921	1,552,183	3,420,037
before interfund transfers	109,614	(109,614)	-	-
Interfund transfers	98,547	1,769,307	1,552,183	3,420,037
Increase in net assets	1,004,660	17,752,403	31,814,961	50,572,024
Net assets, beginning of year	\$ 1,103,207	\$ 19,521,710	\$ 33,367,144	\$ 53,992,061
Net assets, end of year				

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Functional Expenses
 Year Ended June 30, 2019
 (with Summarized Comparative Information for year ended June 30, 2018)

	2019										2018										
	Program Services					Recording- Production/					Supporting Activities										
	Performances	Touring	Education	Commissioning New Music	Stoeger Prize	Total	Management and General	Fund- Raising	Total	Total	Performances	Touring	Education	Commissioning New Music	Stoeger Prize	Total	Management and General	Fund- Raising	Total	Total	
Salaries and benefits	\$1,276,493	\$ 245,643	\$ 365,119	\$ -	\$ 368,952	\$ -	\$ 543,117	\$ 742,452	\$1,285,569	\$3,541,776	\$3,320,287										
Artists' fees	642,700	769,050	78,575	14,811	-	-	-	24,600	24,600	1,529,736	1,524,738										
Travel	133,036	151,142	3,654	-	-	-	15,414	7,414	22,828	310,660	490,214										
Marketing and promotion	756,630	6,060	-	-	52,550	-	-	-	-	815,240	734,965										
Credit card fees	-	-	-	-	-	-	52,667	-	52,667	-	46,314										
Hall rental and labor	926,565	-	140,982	-	51,264	-	-	28,552	28,552	1,147,363	1,045,071										
Music purchase and rental	3,054	242	1,091	-	-	-	-	-	-	4,387	1,368										
Programs, brochures and inserts	130,193	-	19,094	-	8,015	-	-	8,682	8,682	165,984	165,101										
Professional fees	62,673	9,490	400	-	203,227	-	322,714	192,991	515,705	791,495	475,482										
Dues, conferences, subscriptions	-	-	1,459	-	-	-	14,876	-	14,876	16,335	14,753										
Catering and hospitality	22,163	2,879	7,695	-	-	-	31,057	156,909	187,966	220,643	211,131										
Supporting services	-	-	-	-	-	-	24,114	-	24,114	24,114	26,524										
Insurance	-	2,700	-	-	-	-	50,051	-	50,051	52,751	75,811										
Messengers, postage, mailing	48,617	178	5,125	-	-	-	1,151	1,248	2,399	56,475	59,833										
Software	-	-	-	-	-	-	82,465	-	82,465	82,465	84,306										
Telephone	-	-	-	-	-	-	15,955	-	15,955	15,955	19,263										
Furniture, equipment and maintenance	2,581	-	-	-	4,177	-	17,124	-	17,124	23,882	22,167										
Stoeger prize	-	-	-	-	-	-	-	-	-	-	25,000										
Depreciation and amortization	236,847	31,600	21,157	-	65,908	-	33,266	96,651	129,917	485,429	469,603										
Rose Studio maintenance	258,147	-	-	-	-	-	-	-	-	258,147	268,603										
Tuning and other production	79,999	10,858	10,336	-	34,938	-	-	100	100	136,231	116,904										
CDs, materials, and reference	1,233	-	102	-	-	-	10,814	13,730	24,544	25,879	28,152										
Office supplies and miscellaneous	3,695	6,126	1,133	-	455	-	57,706	18,838	76,544	89,467	80,990										
Total functional 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	\$9,306,580										

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services					Supporting Activities			
	Performances	Touring	Education	Commissioning New Music	Recording- Production/ Distribution	Stoeger Prize	Management and General	Fund-Raising	Total
Salaries and benefits	\$1,473,211	\$ 237,733	\$ 322,732	\$ -	\$ 267,947	\$ -	\$ 431,305	\$ 587,359	\$1,018,664
Artists' fees	634,600	784,685	71,383	16,570	-	-	1,000	16,500	17,500
Travel	145,722	323,345	10,272	-	-	-	6,998	3,877	10,875
Marketing and promotion	669,363	6,060	511	-	55,781	-	-	3,250	3,250
Credit card fees	-	-	-	-	-	-	46,314	-	46,314
Hall rental and labor	780,827	133,159	111,529	-	-	-	-	19,556	19,556
Music purchase and rental	1,110	258	-	-	-	-	-	-	-
Programs, brochures and inserts	138,115	-	18,323	-	1,350	-	-	7,313	7,313
Professional fees	39,298	32,206	7,630	-	186,551	-	106,262	103,535	209,797
Dues, conferences, subscriptions	-	-	132	-	-	-	14,621	-	14,621
Catering and hospitality	9,489	24,445	8,453	-	4,328	-	39,383	125,033	164,416
Supporting services	-	-	-	-	-	-	26,524	-	26,524
Honorariums and music awards	-	-	-	-	-	-	-	-	-
Insurance	-	3,831	-	-	-	-	71,980	-	71,980
Messengers, postage, mailing	45,562	556	3,739	-	-	-	566	9,410	9,976
Software	-	-	-	-	-	-	84,306	-	84,306
Telephone	-	-	-	-	-	-	19,263	-	19,263
Furniture, equipment and maintenance	1,864	-	-	-	6,654	-	13,649	-	13,649
Stoeger prize	-	-	-	-	-	25,000	-	-	-
Depreciation and amortization	305,236	25,249	23,165	-	20,604	-	24,881	70,468	95,349
Rose Studio maintenance	268,603	-	-	-	-	-	-	-	-
Tuning and other production	61,696	19,239	11,410	-	24,309	-	-	250	250
CDs, materials, and reference	860	-	86	-	-	-	10,757	16,449	27,206
Office supplies and miscellaneous	2,056	17,646	249	579	435	-	37,654	22,371	60,025
Total functional expenses	\$4,577,612	\$1,608,412	\$ 589,614	\$ 17,149	\$ 567,959	\$ 25,000	\$ 935,463	\$ 985,371	\$1,920,834
									\$9,306,580

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

Statements of Cash Flows

	Years Ended	
	June 30	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 5,523,317	\$ 3,420,037
Adjustments to reconcile increase in net assets to net cash (used in) operating activities		
Depreciation and amortization	485,429	469,603
Perpetually restricted contributions	(4,770,410)	-
Donated investment securities	(251,394)	(393,290)
Proceeds from sale of donated investment securities	251,394	393,290
Net realized and unrealized (gain) on long-term investments	(2,390,588)	(4,173,800)
(Increase) in assets		
Contributions receivable	(3,416,074)	(307,319)
Prepaid expenses and other current assets	(201,330)	(71,108)
Increase (decrease) in liabilities		
Accounts payable, taxes payable and accrued expenses	156,804	(20,976)
Advance box office receipts	<u>170,145</u>	<u>11,222</u>
Net cash (used in) operating activities	<u>(4,442,707)</u>	<u>(672,341)</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,221,620	3,790,087
Purchase of investments	(2,155,300)	(5,637,010)
Proceeds on due from sale of limited partnerships	24,060	473,315
Purchases of property and equipment	<u>(272,134)</u>	<u>(150,035)</u>
Net cash (used in) investing activities	<u>(181,754)</u>	<u>(1,523,643)</u>
Cash flows provided by financing activities		
Perpetually restricted contributions	<u>4,770,410</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	145,949	(2,195,984)
Cash and cash equivalents, beginning of year	<u>1,184,978</u>	<u>3,380,962</u>
Cash and cash equivalents, end of year	<u>\$ 1,330,927</u>	<u>\$ 1,184,978</u>

See notes to financial statements.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements
June 30, 2019 and June 30, 2018****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 perpetually, 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.

Interfund transfers

During the 2018 fiscal year, the Board of Directors approved an interfund transfer of \$109,614 from the other fund in net assets without donor restrictions to the operating fund in net assets without donor restrictions. There was no interfund transfer during 2019.

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 without donor restrictions.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2019 and June 30, 2018****Note 1 – Nature of organization and summary of significant accounting policies (continued)****Contributions (continued)**

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.

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 2018. 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, 2019 and June 30, 2018****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 are determined using the net asset value (NAV) per share and are not included in the valuation 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 an allowance for doubtful accounts is not required for any contributions that may not be collectible. 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 \$624,013 and \$563,793 in the 2019 and 2018 fiscal years, respectively.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

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, 2019. The Society routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. Management of the Society monitors the collectibility of contributions receivable. As a consequence, management believes that concentrations of credit risk are limited.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through December 16, 2019, 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, 2019 and June 30, 2018**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Recent accounting pronouncement

Not-for-Profit Financial Statement Presentation

During the 2019 fiscal year, the Society adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows.

A summary of the net asset reclassifications required by the adoption of the ASU as of June 30, 2017 is as follows:

<u>Net Asset Classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted	\$18,757,063	\$ -	\$ 18,757,063
Temporarily restricted	-	15,059,538	15,059,538
Permanently restricted	-	16,755,423	16,755,423
Net assets, as reclassified June 30, 2017	<u>\$18,757,063</u>	<u>\$31,814,961</u>	<u>\$ 50,572,024</u>

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, 2019 that are available for general use within one year of the statement of financial position date:

Cash and cash equivalents	\$ 1,330,927
Investments, at fair value	47,103,533
Due from sale of limited partnerships	21,796
Contributions receivable, current portion	<u>3,009,423</u>
Sub-total	51,465,679
Less: Net assets with perpetual donor restrictions	<u>(21,525,833)</u>
Total	<u>\$ 29,939,846</u>

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 3 – Contributions receivable

Contributions receivable as of June 30, 2019 and June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>2019</u>	<u>2018</u>
2019	\$ -	1,549,571
2020	3,009,423	1,071,500
2021	2,191,500	1,021,500
2022	1,466,000	465,000
2023	<u>1,000,000</u>	<u>-</u>
Sub-total	7,666,923	4,107,571
Less: amount to reduce contributions receivable to their present value (discount rate – 3.25%)	<u>(321,211)</u>	<u>(177,933)</u>
Total	<u>\$ 7,345,712</u>	<u>\$ 3,929,638</u>

Note 4 – Investments

Investments as of June 30, 2019 and June 30, 2018 consisted of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market fund	\$ 25,139	\$ 25,139	\$ 52,634	\$ 52,634
Mutual funds	17,091,062	19,408,482	16,534,402	18,730,394
Investments in limited partnerships and other*				
U.S. equities**	300,000	10,543,098	300,000	9,412,348
International equities**	5,280,000	13,854,066	5,350,000	13,257,520
Fixed income**	1,987,446	2,289,447	1,987,446	2,157,309
Multi-strategy**	-	12,095	-	14,775
Private equity and other**	<u>527,795</u>	<u>971,206</u>	<u>626,539</u>	<u>1,154,285</u>
Total long-term investments	<u>\$25,211,442</u>	<u>\$47,103,533</u>	<u>\$24,851,021</u>	<u>\$44,779,265</u>

* 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.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 4 – Investments (continued)

During June 2017, the Society redeemed a portion of the interest in another limited partnership totaling \$519,171. This amount was received during the 2018 fiscal year.

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, 2019, \$21,796 has not been received and is reflected as due from sale of limited partnerships on the statements of financial position.

The following table presents the Society's financial assets that are measured at fair value on a recurring basis at June 30, 2019 and June 30, 2018:

Description	2019			
	Total	Level 1	Level 2	Level 3
Money market fund	\$ 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, 2019 and June 30, 2018

Note 4 – Investments (continued)

Description	2018			
	Total	Level 1	Level 2	Level 3
Money market fund	\$ 52,634	\$ 52,634	\$ -	\$ -
Mutual funds	18,730,394	18,730,394	-	-
Investments in limited partnerships and other:				
U.S. equities	9,412,348	-	-	9,412,348
Private equity and other	<u>875,331</u>	<u>-</u>	<u>-</u>	<u>875,331</u>
Sub-total of investments	29,070,707	<u>\$ 18,783,028</u>	<u>\$ -</u>	<u>\$ 10,287,679</u>
Investments in limited partnerships and other measured at NAV				
International equities	13,257,520			
Fixed income	2,157,309			
Multi-strategy	14,775			
Private equity and other	<u>278,954</u>			
Total investments	<u>\$ 44,779,265</u>			

The following is a summary of changes in the fair value of the Society's Level 3 investments for the years ended June 30, 2019 and June 30, 2018:

	U.S. Equities	Private Equity and Other	Total
Balance, June 30, 2017	\$ 8,194,629	\$ 2,071,842	\$ 10,266,471
Transfers out	-	(1,345,159)	(1,345,159)
Net realized and unrealized gain	<u>1,217,719</u>	<u>148,648</u>	<u>1,366,367</u>
Balance, June 30, 2018	9,412,348	875,331	10,287,679
Transfers out	-	(47,448)	(47,448)
Net realized and unrealized gain (loss)	<u>1,130,750</u>	<u>(53,064)</u>	<u>1,077,686</u>
Balance, June 30, 2019	<u>\$ 10,543,098</u>	<u>\$ 774,819</u>	<u>\$ 11,317,917</u>

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 4 – Investments (continued)

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	12/31/2019
International Equities – 4	1 fund with 10 days	138	Monthly	12/31/2019
	4 funds with 90 days	2,855	Monthly	12/31/2019
		125	Annually	6/30/2020
		171	Annually	6/30/2020
Fixed Income – 2	2 funds with 60 days	1,182	Quarterly	12/31/2019
		1,122	Quarterly	12/31/2019
Multi-strategy - 2	2 funds with 90 days	1,818	Quarterly	Liquidating
		802	Quarterly	Liquidating

Private Equity and other - 7 Capital is returned by each partnership over its contractual life.

Level 3 valuation techniques

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and June 30, 2018.

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.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 4 – Investments (continued)

Level 3 valuation techniques

As of June 30, 2019, there were outstanding capital commitments of approximately \$1,000,000.

Investment return and its classification in the statements of activities for the year ended June 30, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest	\$ 703,194	\$ -	\$ 703,194
Royalties from oil/gas leases	167,341	-	167,341
Net realized and unrealized gain	<u>1,863,467</u>	<u>527,121</u>	<u>2,390,588</u>
Net return on long-term investments	2,734,002	527,121	3,261,123
Interest on short-term investments	<u>2,219</u>	<u>-</u>	<u>2,219</u>
Net return on investments	2,736,221	527,121	3,263,342
Less: Amounts designated for current operations			
Long-term investment return	(1,815,407)	-	(1,815,407)
Other investment return	(187,477)	-	(187,477)
Investment advisory fees	<u>(91,588)</u>	<u>-</u>	<u>(91,588)</u>
Long-term investment return after deduction of amounts designated for current operations	<u>\$ 641,749</u>	<u>\$ 527,121</u>	<u>\$ 1,168,870</u>

Note 5 – Property and equipment

Property and equipment consisted of the following as of June 30, 2019 and June 30, 2018:

	<u>Useful Life</u>	<u>2019</u>	<u>2018</u>
Land	N/A	\$ 280,647	\$ 280,647
Furniture, pianos and equipment	5-20 years	1,270,379	2,143,689
Rose Building: interior	10-20 years	1,500,718	2,696,015
Rose Building: core and shell	10-40 years	2,855,789	2,789,700
Alice Tully Hall leasehold improvements and other improvements	3-30 years	<u>5,158,177</u>	<u>5,158,177</u>
Sub-total		11,065,710	13,068,228
Less: accumulated depreciation and amortization		<u>5,680,578</u>	<u>7,469,801</u>
Total		<u>\$ 5,385,132</u>	<u>\$ 5,598,427</u>

During fiscal 2019, the Society wrote off fully depreciated property and equipment totaling \$2,274,652. There were no write-offs during fiscal 2018.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 6 – Commitments

The Society has entered into various commitments for compositions, hall rentals, and artists' contracts. As of June 30, 2019 the following is a summary of the annual future commitments:

<u>Fiscal year</u>	<u>Amount</u>
2020	\$2,760,000

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 2019 and 2018 was \$143,810 and \$64,343, respectively.

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 \$196,098 and \$210,589 in the 2019 and 2018 fiscal years, respectively.

Note 7 – 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, 2018, 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.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018****Note 7 – Pension and retirement plans (continued)****Multiple-employer defined contribution plan (continued)**

The Society also participates in a non-contributory multiple-employer defined contribution plan maintained by LCPA. Employees can contribute to the plan in accordance with the Internal Revenue Code.

For fiscal years 2019 and 2018, the Society contributed \$183,298 and \$146,887, respectively, to the plans.

Note 8 – 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 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 \$1,815,407 and \$1,720,093 for fiscal 2019 and 2018, respectively, as determined by a spending rate policy of 4.5% in 2019 and 2018 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 CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 8 – Net assets (continued)

The following is a summary of the Board designated net assets without donor restrictions as of June 30, 2019 and June 30, 2018:

	<u>2019</u>	<u>2018</u>
General	\$ 19,283,045	\$ 18,149,613
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>\$ 20,655,142</u>	<u>\$ 19,521,710</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.

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. The Society deployed funds totaling \$0- and \$67,307 for the 2019 and 2018 fiscal years, respectively. At June 30, 2019 the remaining balance in the Fund totaled \$572,097.

Alice Tully Fund

Alice Tully provided the founding grant to CMS. In 2009 an Alice Tully heir made a legacy gift of \$400,000 to CMS, 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.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 8 – Net assets (continued)

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, 2019, discounted at the rate of 3.25%, amounts to \$1,051,785 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 will be 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 following is a summary of the net assets with temporary donor restrictions as of and for the year ended June 30, 2019 and June 30, 2018:

	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 CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018**

Note 8 – Net assets (continued)

	2018				
	Balance June 30, 2017	<u>Contributions</u>	<u>Investment Return</u>	Net Assets Released from <u>Restrictions</u>	Balance June 30, 2018
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	608,800	975,210	-	(241,154)	1,342,856
Stoeger Prize for composers	159,699	-	36,653	(25,000)	171,352
Campaign for the 50th-time restricted	3,387,489	564,654	-	(699,507)	3,252,636
Unspent investment return earned on endowment funds	<u>8,545,512</u>	<u>-</u>	<u>941,327</u>	<u>-</u>	<u>9,486,839</u>
Total temporarily restricted net assets	<u>\$ 15,059,538</u>	<u>\$ 1,539,864</u>	<u>\$ 977,980</u>	<u>\$ (965,661)</u>	<u>\$ 16,611,721</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 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, 2019 and June 30, 2018 consisted of the following endowment funds:

	<u>2019</u>	<u>2018</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	4,770,410	-
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
General	<u>4,068,301</u>	<u>4,068,301</u>
Total net assets with perpetual donor restrictions	<u>\$ 21,525,833</u>	<u>\$ 16,755,423</u>

As of June 30, 2019 and June 30, 2018, there were no restricted or designated funds with deficiencies.

THE CHAMBER MUSIC SOCIETY OF LINCOLN CENTER, INC.**Notes to Financial Statements (continued)
June 30, 2019 and June 30, 2018****Note 9 – 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.