KPMG

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.
AND RELATED ENTITY

Consolidated Financial Statements and Consolidating Schedules

June 30, 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Lincoln Center for the Performing Arts, Inc.:

We have audited the accompanying consolidated financial statements of Lincoln Center for the Performing Arts, Inc. and related entity, which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Center for the Performing Arts, Inc. and related entity as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2(t) to the consolidated financial statements, in 2019 Lincoln Center for the Performing Arts, Inc. and related entity adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* ASU No. 2016-18, *Restricted Cash,* ASU No. 2014-09, *Revenue from Contracts with Customers,* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Lincoln Center for the Performing Arts, Inc. and related entity's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived before the adjustments to adopt ASU No. 2016-14, ASU No. 2016-18, ASU No. 2014-09, and ASU No. 2018-08. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 2(t) that were applied to adopt ASU No. 2016-14 and ASU No. 2014-09 retrospectively in the 2019 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the accompanying consolidating schedules as of and for the year ended June 30, 2019 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

November 19, 2019

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.
AND RELATED ENTITY

Consolidated Balance Sheet

June 30, 2019
(with comparative amounts for 2018)

Assets		**2019**	**2018**
Cash and cash equivalents	$	2,910,758	9,634,459
Restricted cash (note 9)		29,893,898	15,898,710
Accounts and investment income receivable		15,976,426	14,773,063
Contributions and grants receivable, net (note 5)		72,681,032	79,415,793
Prepaid expenses, inventory, and other assets		8,430,640	8,832,558
Investments (note 6)		257,179,645	258,862,068
Fixed assets, net (note 7)		350,641,384	349,612,925
Total assets	$	737,713,783	737,029,576
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	18,237,775	21,009,638
Deferred revenue (note 3)		24,688,952	18,752,798
Borrowings under line of credit (note 8)		10,000,000	—
Fair value of interest rate swaps (note 9)		50,032,292	36,837,135
Long-term debt (note 9)		250,138,509	251,707,362
Total liabilities		353,097,528	328,306,933
Commitments and contingencies (notes 8, 12, and 13)			
Net assets (notes 11 and 15):			
Without donor restrictions:			
General operating		9,582,653	10,759,475
Board designated		113,598,212	115,643,029
Redevelopment and other physical capital		37,736,276	70,996,292
Total net assets without donor restrictions		160,917,141	197,398,796
With donor restrictions:			
Purpose or time restricted		126,732,252	114,898,862
Endowment fund corpus		96,966,862	96,424,985
Total net assets with donor restrictions		223,699,114	211,323,847
Total net assets		384,616,255	408,722,643
Total liabilities and net assets	$	737,713,783	737,029,576

See accompanying notes to consolidated financial statements.

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.
AND RELATED ENTITY

Consolidated Statement of Activities

Year ended June 30, 2019
(with summarized comparative information for 2018)

	2019							
	Without donor restrictions				With donor restrictions			
	General operating	Board designated	Redevelopment and other physical plant (note 3)	Total	Purpose or time restricted	Endowment fund corpus	Total	2018 Total
Revenue:								
Contributions, private grants, and bequests	$ 16,238,657	88,962	126,217	16,453,836	28,075,302	541,877	45,071,015	35,671,972
Government grants	667,636	—	—	667,636	1,001,269	—	1,668,905	1,818,631
Investment return (note 6):								
Designated for current operations	5,005,820	—	—	5,005,820	6,082,675	—	11,088,495	10,738,015
In excess of (less than) amounts designated for current operations	46,851	(630,000)	12,787	(570,362)	(557,718)	—	(1,128,080)	12,354,670
Net unrealized (loss) gain on swap agreements (note 9)	—	—	(13,195,157)	(13,195,157)	—	—	(13,195,157)	11,332,276
Box office and other program service revenue	8,825,088	—	—	8,825,088	—	—	8,825,088	12,533,282
Facilities services (note 10)	31,094,303	3,536,855	—	34,631,158	—	—	34,631,158	35,028,381
Rental income	31,211,179	—	—	31,211,179	—	—	31,211,179	31,245,853
Other income	2,437,658	134,952	1,439,579	4,012,189	—	—	4,012,189	4,746,885
Special event revenue, net of expenses of $2,054,012 and $1,670,248 in 2019 and 2018, respectively	9,546,635	—	—	9,546,635	—	—	9,546,635	9,220,949
Provision for restricted pledges	—	—	—	—	—	—	—	(6,000,000)
Net assets released from restrictions	22,044,654	(265,807)	989,291	22,768,138	(22,768,138)	—	—	—
Total revenue	127,118,481	2,864,962	(10,627,283)	119,356,160	11,833,390	541,877	131,731,427	158,690,914
Expenses (note 14):								
Program services:								
Performance presentations	19,375,682	—	278,021	19,653,703	—	—	19,653,703	22,989,639
Media development (Live from Lincoln Center)	3,575,659	—	—	3,575,659	—	—	3,575,659	4,536,979
Education and outreach	9,380,576	—	444,833	9,825,409	—	—	9,825,409	10,324,729
Facilities management and services	66,420,621	254,261	13,014,450	79,689,332	—	—	79,689,332	80,305,066
Guest services and other	1,245,784	—	—	1,245,784	—	—	1,245,784	2,383,098
Interest and other financing costs, net (note 9)	42,440	—	9,547,824	9,590,264	—	—	9,590,264	9,554,454
Total program services	100,040,762	254,261	23,285,128	123,580,151	—	—	123,580,151	130,093,965
Supporting services:								
Management and general	20,211,203	—	3,278,748	23,489,951	—	—	23,489,951	33,781,549
Fundraising	6,316,889	—	1,224,375	7,541,264	—	—	7,541,264	8,263,691
Total supporting services	26,528,092	—	4,503,123	31,031,215	—	—	31,031,215	42,045,240
Total expenses	126,568,854	254,261	27,788,251	154,611,366	—	—	154,611,366	172,139,205
Excess (deficiency) of revenue over expenses	549,627	2,610,701	(38,415,534)	(35,255,206)	11,833,390	541,877	(22,879,939)	(13,448,291)
Transfers:								
Renewal and replacement reserve	(500,000)	500,000	—	—	—	—	—	—
Investment in fixed assets	—	(5,155,518)	5,155,518	—	—	—	—	—
Total transfers	(500,000)	(4,655,518)	5,155,518	—	—	—	—	—
Change in net assets	49,627	(2,044,817)	(33,260,016)	(35,255,206)	11,833,390	541,877	(22,879,939)	(13,448,291)
Net assets at beginning of year, as previously reported	10,759,475	115,643,029	70,996,292	197,398,796	114,898,862	96,424,985	408,722,643	422,170,934
Impact of change in accounting policy (note 2(t))	(1,226,449)	—	—	(1,226,449)	—	—	(1,226,449)	—
Adjusted balance at beginning of year	9,533,026	115,643,029	70,996,292	196,172,347	114,898,862	96,424,985	407,496,194	422,170,934
Net assets at end of year	$ 9,582,653	113,598,212	37,736,276	160,917,141	126,732,252	96,966,862	384,616,255	408,722,643

See accompanying notes to consolidated financial statements.

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.
AND RELATED ENTITY

Consolidated Statement of Cash Flows

Year ended June 30, 2019
(with comparative amounts for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (22,879,939)	(13,448,291)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized appreciation on investments	(10,894,883)	(23,957,753)
Change in fair value of interest rate swaps	13,195,157	(11,332,276)
Depreciation and amortization	13,697,507	14,496,445
Loss on disposition of fixed assets	253,202	134,718
Contributions and grants restricted for permanent endowment	(541,877)	(805,983)
Contributions restricted for capital assets	(20,505,000)	(1,400,000)
Changes in operating assets and liabilities:		
Accounts and investment income receivable	1,425,443	1,131,459
Contributions and grants receivable	19,186,261	19,156,660
Prepaid expenses, inventory, and other assets	(1,200,772)	1,408,226
Accounts payable and accrued expenses	(4,450,771)	5,261,363
Deferred revenue	6,282,754	(2,093,402)
Net cash used in operating activities	(6,432,918)	(11,448,834)
Cash flows from investing activities:		
Purchase of fixed assets	(16,548,021)	(5,028,278)
Accounts receivable – capital	(2,628,806)	231,985
Accounts payable and accrued expenses – capital	1,678,908	(955,877)
Purchase of investments	(72,932,626)	(39,265,132)
Proceeds from the sale of investments	85,509,932	53,201,552
Net cash (used in) provided by investing activities	(4,920,613)	8,184,250
Cash flows from financing activities:		
Contributions restricted for permanent endowment	541,877	805,983
Contributions restricted for capital assets	20,505,000	1,400,000
Change in contributions receivable for permanent endowment and capital	(12,451,500)	9,828,562
Decrease in funds held by bond trustee	29,641	30,853
Repayments on line of credit borrowing	(15,000,000)	(35,000,000)
Proceeds from line of credit borrowing	25,000,000	10,000,000
Net cash provided by (used in) financing activities	18,625,018	(12,934,602)
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,271,487	(16,199,186)
Cash, cash equivalents, and restricted cash:		
Beginning of year	25,533,169	41,732,355
End of year	$ 32,804,656	25,533,169
Interest paid	$ 11,066,984	11,080,775

See accompanying notes to consolidated financial statements.

(1) Business

Lincoln Center for the Performing Arts, Inc. (LCPA) was founded in 1956 to develop and maintain a performing arts complex that would sustain and encourage the musical and performing arts. In addition to operating and maintaining some of the performance facilities at the LCPA site in New York City, LCPA provides programs and presents concerts and other performances that supplement the presentations of its fellow constituent organizations (collectively, the Constituents): the Chamber Music Society of Lincoln Center, Film at Lincoln Center, Jazz at Lincoln Center, the Juilliard School, the Vivian Beaumont Theater (the Lincoln Center Theater), the Metropolitan Opera, the New York City Ballet, the Philharmonic Symphony Society of New York, Inc. (New York City Philharmonic Orchestra), the New York Public Library for the Performing Arts, and the School of American Ballet. LCPA has agreements with its Constituents to provide certain use of facilities on the Lincoln Center campus, central facility services and to manage the consolidated Corporate Fund which benefits LCPA and its Constituents. Pursuant to these agreements, the costs of providing these services and the funds raised from the consolidated fundraising campaign are allocated among LCPA and its Constituents.

On January 12, 2001, Lincoln Center Development Project, Inc. (LCDP) was incorporated to implement and oversee the redevelopment of certain specified components of the campus. On May 24, 2010, LCDP became a wholly owned related entity of LCPA. In July 2012, LCDP amended its Certificate of Incorporation to expand its purposes beyond the boundaries of the Lincoln Center campus. The amendment embraces Lincoln Center's goal of fostering the performing arts to improve the cultural life of communities throughout the United States and the world.

LCPA and LCDP are nonprofit organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

(2) Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of LCPA and LCDP (collectively, Lincoln Center or the Organization). All significant inter-organization balances and transactions have been eliminated in consolidation.

(b) Basis of Presentation

The consolidated financial statements of Lincoln Center have been prepared on the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles.

(c) Net Asset Classifications

Lincoln Center reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets with donor restrictions are further categorized as net assets with donor restrictions – endowment fund corpus and with donor restrictions – purpose or time restricted.

- Net assets with donor restrictions:
  - Net assets with donor restrictions – endowment fund corpus contain donor-imposed restrictions, which stipulate that the resources be maintained permanently, but permit Lincoln Center to expend part or all of the income derived from the resources for either specified or unspecified purposes.
  - Net assets with donor restrictions – purpose or time restricted contain donor-imposed restrictions that permit Lincoln Center to expend the resources as specified. The restrictions are satisfied either by the passage of time or by actions of Lincoln Center.
- Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have been met. Lincoln Center's Board of Directors has designated a portion of the net assets without donor restrictions for renewal and replacement reserves, special operating reserves, investment in fixed assets, and long-term investments (funds functioning as endowment).

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as donor restricted support that increases net assets with donor restrictions – purpose or time restricted; those restrictions expire when the long-lived assets are placed in service.

(d) Cash and Cash Equivalents

Cash equivalents include investments with original maturities of three months or less at time of purchase, except for such assets held by Lincoln Center's investment managers as part of their long-term investment strategies.

(e) Restricted Cash

Restricted cash consists of cash held as collateral by two major banking institutions under the terms of interest rate swap agreements.

(Continued)

(f) Investments

Investments with readily determinable fair values in debt and equity securities are reported at fair value based upon the last quoted market price or published net asset value for alternative investment funds with characteristics similar to a mutual fund. Other alternative investments (nontraditional, not readily marketable vehicles), such as limited partnership interests and hedge funds, are stated at estimated fair value, as a practical expedient, based on net asset values provided by the investment managers. Individual investment holdings within the other alternative investments may be invested in both publicly traded securities and less liquid securities, which are valued by the investment managers after considering pertinent factors. Lincoln Center reviews and evaluates methods and assumptions used in determining the net asset values of the other alternative investments. Lincoln Center believes that the carrying amount of such alternative investments is a reasonable estimate of fair value as of June 30, 2019 and 2018. Because the other alternative investments do not have readily determinable fair values, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed, and such difference could be material.

(g) Fair Value

Assets and liabilities reported at fair value are required to be classified within a fair value hierarchy which gives preference to the use of observable inputs over unobservable inputs. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices or published net asset value (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

For certain alternative investments, which do not have readily determinable fair values, including hedge funds, limited partnerships, and other funds, fair value is estimated using net asset value per share or its equivalent, as a practical expedient, as reported by the investment managers. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, such investments are excluded from the fair value hierarchy levels.

(h) Fixed Assets

Fixed assets, which are recorded at cost, consist of land, building, leasehold improvements, equipment, works of art and construction in progress for assets owned by Lincoln Center. The Lincoln Center campus includes land and property owned by the City of New York (the City), such as the New York State Theater, Library/Museum, Damrosch Park, the Garage and Josie Robertson Plaza. In addition, certain construction costs of Lincoln Center-owned buildings, e.g., the Rose Building, are owned by other tenant Constituents using the building. Such City-owned properties and construction costs owned by other Constituents using Lincoln Center-owned properties are not included in the accompanying consolidated financial statements.

Costs incurred by Lincoln Center relating to improvements to City-owned facilities, including the public spaces, are expensed as incurred. Lincoln Center has been reimbursed by the City for a portion of those project expenses through an agreement with the NYC Economic Development Corporation.

The City-owned garage at Lincoln Center is operated under a License Agreement from the City. Pursuant to the License Agreement with the City, all operating surpluses from the garage are utilized to help fund the security and maintenance expenses for the public areas. If in any year there is an operating deficit, Lincoln Center may apply for reimbursement, but such reimbursement is not guaranteed, and therefore, not recorded as a receivable. If at the end of the year there is an operating surplus, such surplus is reported as a liability in the consolidated balance sheet.

Buildings and building improvements and furniture, fixtures, and equipment are depreciated on the straight-line method over their estimated useful lives (buildings and building improvements – 40 years; furniture, fixtures, and equipment – 3 to 10 years). Works of art are recorded at cost and not depreciated. Normal additions to and replacements of fixed assets below $25,000 are expensed as incurred.

(i) Deferred Bond Issuance Costs

Bond issuance costs are deferred and amortized on a straight-line basis over the term of the bonds.

The unamortized debt issuance costs related to the recognized debt liability are presented as a direct reduction from the debt liability on the consolidated balance sheet.

(j) Box Office Revenues

Ticket sales are recognized as box office revenue on a specific performance basis upon Lincoln Center fulfilling its obligation of admitting and presenting the performance to each ticketholder. Advance ticket sales for the receipt of payment for future performances are reported in deferred revenue in the consolidated balance sheet. Such amounts were approximately $2.8 million and $2.9 million as of June 30, 2019 and 2018, respectively, and are recognized as revenue in the subsequent period.

(k) Facilities Services Revenues

Lincoln Center maintains certain public and private facilities both for the benefit of the various constituent organizations and to advance its own mission.

Lincoln Center charges each Constituent or outside licensee for the cost of the services provided for spaces they occupy or utilize, as well as their share of the costs of the services provided for the common areas, in the case of constituent organizations. Facility service revenue is recognized as the services are performed.

(l) Deferred Revenue

Deferred revenue represents cash received and not yet earned by LCPA. As discussed further in note 2(t), as of June 30, 2018, deferred revenue included amounts received pursuant to agreements that, under Topic 606, constitute licenses for functional intellectual property.

(m) Operating Measure

The change in general operating net assets without donor restrictions includes operating support and revenue, operating expenses, transfers to a Board-designated renewal and replacement reserve, transfers to or from other funds without donor restrictions, and investment return, based on a spending rate, on certain endowment funds with permanent donor restrictions and net assets without donor restrictions functioning as endowment. The spending rate policy is designed to provide a predictable level of investment return (interest, dividends, and appreciation) in support of operations while maintaining the purchasing power of the endowment. For fiscal years 2019 and 2018, 4.8% and 4.9% of a 20-quarter rolling average market value of such funds was used.

The change in general operating net assets without donor restrictions excludes depreciation on buildings and equipment, investment return in excess of or less than the spending rate, investment return on renewal and replacement reserves, assessments to Constituents for renewal and replacement reserves, bequests, contributions related to gift annuities, contributions restricted for capital projects, revenues and expenses related to the Redevelopment Project and nonrecurring items.

(n) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenue at the date the contribution is received or pledged. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions – purpose or time restricted and are released to net assets without donor restrictions when the purpose or time restrictions are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions – endowment fund corpus.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. In 2015, Lincoln Center received a $100,000,000 contribution of which $85,000,000 was and remains conditional and will be recognized as construction milestones are met.

Contributions of assets other than cash are recorded at their estimated fair value.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions, subject to reassessment and adjustment in subsequent periods) and discounting such amounts to present value. Amortization of the discount is recorded as additional contribution revenue.

Contributed goods are recognized as revenue at their estimated fair value at date of receipt and expensed when used. Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require a specialized skill, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying consolidated financial statements.

(o) Membership Income

Lincoln Center offers individual and corporate memberships at various levels. These are for a single year period and are incorporated as part of operating support. Each membership has both a gift and exchange transaction component. The exchange component for membership is immaterial and Lincoln Center recognizes memberships as contribution revenue when received.

(p) Functional Classification of Expenses

The costs of providing Lincoln Center's programs and other activities have been summarized on a functional basis in the consolidated statement of activities. General and administrative expenses include executive and financial administration, as well as human resources, public relations, in-house legal and information technology. None of these general and administrative activities has been determined to involve direct conduct or supervision of program or fundraising activities. As a result, none of the associated costs are allocated to program service or fundraising expense. Fundraising activities include salaries and employee benefits of staff that develop proposals for fundraising; solicit contributions; and conduct special fundraising events.

(q) Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant estimates made in the preparation of these consolidated financial statements include the fair value of other alternative investments, fair value of swap agreements, allowance for uncollectible contributions receivable, the useful lives of fixed assets and the functional classification of expenses. Actual results could differ from those estimates.

(r) Accounting for Uncertainty in Income Taxes

Lincoln Center recognizes the benefit of tax positions when it is more likely than not that the position will be sustainable based on the merits of the position.

(s) Comparative Financial Information

The accompanying consolidated statement of activities is presented with prior year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation; accordingly, such information should be read in conjunction with Lincoln Center's June 30, 2018 consolidated financial statements, from which the summarized information was derived.

(Continued)

(t) Recently Adopted Accounting Standards

During 2019, LCPA adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profits Entities*. ASU 2016-14 reduces the number of net assets from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. Additionally, it expands the quantitative and qualitative disclosures regarding liquidity and availability of resources and requires expenses to be reported by both their natural and functional classification in one location. LCPA applied the changes retrospectively.

LCPA adopted ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash* In 2019 The ASU requires that a statement of cash flows explains the change during the period in the total of cash, and cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Accordingly, the statement of cash flows has been adjusted to include restricted cash in the amount of $29,893,898 and $15,898,710 for 2019 and 2018 in cash and cash equivalents, respectively.

LCPA adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* The core principle of the standard is that, “an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services.” The standard developed a five-step model and related application guidance, which replaces most existing revenue recognition in U.S. GAAP. The standard also provides guidance on when costs to obtain a contract can be capitalized. LCPA implemented this ASU in the current year using the modified retrospective method, by recognizing the cumulative effect of initially applying Topic 606 to the opening net assets balance at July 1, 2018. The cumulative effect of the adoption results in a reduction of $1,226,449 to the beginning net assets balance. Therefore, financial results for 2019 are presented in accordance with Topic 606, while 2018 financial results are reported in accordance with Lincoln Center’s pre-adoption accounting policies and have not been adjusted to confirm to Topic 606. Details of the significant changes and the quantitative impact are disclosed below and within the notes to the consolidated financial statements.

The cumulative effect of the changes made to Lincoln Center’s consolidated balance sheets as of July 1, 2018 for the adoption of Topic 606 were as follows:

	Balance at June 30, 2018	Adjustments due to Topic 606	Balance at July 1, 2018
Assets:			
Prepaid expenses and other assets	8,832,558	(1,573,049)	7,259,509
Liabilities and net assets:			
Liabilities:			
Deferred revenue	18,752,798	(346,600)	18,406,198
Net assets:			
Net assets without donor restrictions – general operating	10,759,475	(1,226,449)	9,533,026

(Continued)

LCPA adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provided). LCPA implemented this ASU in the current year.

(u) New Authoritative Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. It also requires lessors to classify leases as sales-type, direct financing, or operating leases. The provisions in this ASU are effective for annual periods beginning after December 15, 2018 (calendar 2019 and fiscal 2020 year-ends). LCPA will implement the provisions of ASU No. 2016-02 as of June 30, 2020.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value,* which modifies the disclosure requirement on fair value measurement in Topic 820. After the adoption of ASU No. 2018-13, an entity will no longer be required to disclose the amount of and reason for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements; and the changes in unrealized gain and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. However, in lieu of a rollforward for Level 3 fair value measurements, the entity will be required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. This ASU will be effective for LCPA for fiscal year 2021.

(3) The Redevelopment Project

The Redevelopment Project includes the planned refurbishment and redevelopment of David Geffen Hall. Redevelopment expenses, excluding depreciation, interest and other financing costs, represent fundraising and general costs incurred for the Redevelopment Project. For the fiscal years ended June 30, 2019 and 2018, total redevelopment expenses were $1,893,885 and $3,037,341, respectively.

LCPA and the New York City Philharmonic Orchestra share certain costs of the Redevelopment Project. The payments received from the New York City Philharmonic Orchestra are recorded as deferred revenue in the accompanying consolidated balance sheet and will be recognized as income over the remaining term of the constituency agreement once the asset is put into use. The amounts remaining in deferred revenue at June 30, 2019 and 2018 were $15,984,971 and $11,405,409, respectively.

(4) Liquidity and Availability of Financial Assets

Financial assets and resources available for general expenditures within one year of June 30, 2019 are as follows:

Available liquid financial assets:		
Cash and cash equivalents	$	2,910,758
Accounts and investment income receivable		15,976,426
Operating contributions and grants receivable, net		11,166,192
Fiscal 2020 endowment appropriation		11,178,851
Total financial assets available for general expenditure within one year		41,232,227
Additional liquid financial resources:		
Line of credit (unused)		90,000,000
Board-designated endowment, net of fiscal 2020 endowment appropriation		103,315,390
Total resources available for general expenditure within one year, including those available upon action of the Board	$	234,547,617

In addition to its available liquid financial assets, LCPA holds other resources which could readily be made available within one year for general expenditure. These financial resources include an unused line of credit of $90,000,000 and Board-designated endowment funds. Although LCPA does not intend to utilize Board-designated endowment funds within the next year beyond the budgeted endowment spending policy appropriated for operations, if necessary, this amount could be made available upon approval of LCPA's Board of Directors.

(5) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2019 and 2018 are expected to be collected as follows:

		2019	2018
Capital campaign:			
Within one year	$	30,987,794	30,742,281
One to five years		30,838,432	31,870,001
More than five years		1,700,000	400,000
		63,526,226	63,012,282
Less discount to present value at rates ranging from 0.39% to 3.08%		(1,003,961)	(609,063)
Total capital campaign		62,522,265	62,403,219
Program and endowment:			
Within one year		11,176,192	18,016,786
One to five years		4,867,114	6,524,053
More than five years		2,071,440	2,939,120
		18,114,746	27,479,959
Less discount to present value at rates ranging from 0.39% to 2.65%		(255,979)	(417,385)
Total program and endowment		17,858,767	27,062,574
Allowance for doubtful accounts		(7,700,000)	(10,050,000)
Total	$	72,681,032	79,415,793

(6) Investments

Lincoln Center's investments at June 30, 2019 and 2018 consisted of the following:

	2019		2018	
	Fair value	**Level 1**	**Fair value**	**Level 1**
Cash and cash equivalents	$ 1,805,983	1,805,983	2,423,204	2,423,204
Fixed income (a)	411,631	411,631	427,487	427,487
Equities (a):				
Large cap equity	44,500,866	44,500,866	46,929,724	46,929,724
Small/mid cap equity	8,508,196	8,508,196	28,280,906	28,280,906
Alternative investments with readily determinable fair value (b):				
Fixed income	11,479,210	11,479,210	13,062,267	13,062,267
International equity	5,623,582	5,623,582	3,433,132	3,433,132
	72,329,468	$ 72,329,468	94,556,720	94,556,720
Alternative investments measured at net asset value as a practical expedient (b):				
International equity	58,873,114		56,799,249	
Large cap equity fund	10,911,823		10,030,445	
Small/mid cap equity fund	8,666,946		—	
Absolute return	50,214,726		51,531,767	
Hedged equity	39,741,164		37,483,812	
Private equity and special situations	16,442,404		8,460,075	
Total alternative investments measured at net asset value	184,850,177		164,305,348	
Total investments	$ 257,179,645		258,862,068	

(a) Marketable Securities

Fixed income consists primarily of U.S. Treasury notes. Equities consist of a diversified portfolio principally including securities with large market capitalizations, managed by growth, value, and quantitative disciplines.

(b) Alternative Investments

Alternative investments represent limited partnership and similar interests in funds that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, are different for each fund.

Fixed Income – This category includes a fund with readily determinable fair value that invests primarily in U.S. Treasury notes, municipal bonds, corporate bonds, Federal Home Loan Mortgage Corp., Federal National Mortgage Association, and Government National Mortgage Association mortgage backed securities. Redemptions are allowed daily.

International Equity – This category includes investments in funds that focus on long only international equities. There is exposure to both developed and emerging markets. Redemptions are allowed at a frequency that ranges from weekly to annually.

Large Cap Equity Fund – This category includes long only investments in domestic and foreign, mid – and large cap stocks. Redemptions are allowed quarterly with 30 days' notice.

Small/Mid Cap Equity Fund – This category includes long-term investments in life sciences companies located primarily in North America. Redemptions are subject to a lock up provision, with further payout restrictions.

Absolute Return – This category includes multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and attempting to capture the alpha in mis-priced assets/securities across conventional and alternative financial strategies. Managers initiate long and short positions targeting solid absolute risk adjusted returns. Some funds are subject to a lock up period up to two years. For those investments not subject to a lock up provision, redemptions are allowed at a frequency that ranges from monthly to annually.

Hedged Equity – This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Managers of the hedge funds have the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia, and Emerging Markets. Some funds are subject to a lock up period up to three years. For those investments not subject to a lock up provision, redemptions are allowed at a frequency that ranges from quarterly to annually.

Private Equity and Special Situations – This category includes funds that focus on early stage venture capital, including investments in the technology, energy, retail and life science sectors, and funds that invest primarily in a diversified portfolio of residential mortgage backed securities, commercial mortgage backed securities, collateralized debt obligations and special situations. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. All funds are subject to lock up provisions. At June 30, 2019, Lincoln Center's investments in these funds had remaining estimated lives of up to ten years. Remaining commitments to the funds in this category total $9,838,100 as of June 30, 2019.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Lincoln Center's alternative investments contain various redemption period restrictions with required written notice ranging from 1 to 90 days. As of June 30, 2019, the following table summarizes the composition of such investments by the various redemption provisions:

Redemption period		**Amount**
Daily	$	17,102,792
Weekly		10,314,128
Monthly		46,010,864
Quarterly		61,013,208
Semiannual		8,981,987
Annual		6,958,427
Lock up		51,571,563
Total	$	201,952,969

Investment return and its classification in the consolidated statement of activities were as follows:

		2019	**2018**
Interest and dividend income	$	367,957	489,970
Investment management and custodial fees		(1,302,425)	(1,355,038)
Net appreciation in fair value of investments		10,894,883	23,957,753
Total investment return		9,960,415	23,092,685
Less investment return available under spending policy, including amounts with donor restrictions of $6,082,675 and $5,798,816 in 2019 and 2018, respectively		(11,088,495)	(10,738,015)
Investment return (less) greater than amounts available under spending policy, including amounts with donor restrictions of $(557,718) and $6,987,924 in 2019 and 2018, respectively	$	(1,128,080)	12,354,670

(Continued)

(7) Fixed Assets

Fixed assets balances were as follows at June 30:

		2019	2018
Land	$	15,513,280	15,513,280
Building and building improvements		529,855,646	525,399,696
Furniture, fixtures, and equipment		20,291,826	19,799,134
Fountain and works of art		1,690,114	1,690,114
Leasehold improvements		28,124,920	28,373,724
Construction in progress		40,582,920	29,190,417
Total fixed assets		636,058,706	619,966,365
Less accumulated depreciation and amortization		(285,417,322)	(270,353,440)
Fixed assets, net	$	350,641,384	349,612,925

Total depreciation expense for fiscal years ended June 30, 2019 and 2018 was $15,266,360 and $16,065,297, respectively.

(8) Lines of Credit

On March 15, 2018, Lincoln Center amended the $100,000,000 revolving credit note agreement bearing interest at LIBOR driven rate that was entered into March 15, 2016. The amendment extended the agreement until March 15, 2020. Subsequently in November 2019, LCPA extended the agreement through November 14, 2021. The outstanding balance at June 30, 2019 was $10,000,000, with varying repayment dates within 60 days of year-end. There was no outstanding balance as of June 30, 2018.

(9) Long-Term Debt

Long-term debt at June 30, 2019 and 2018 consists of the following:

		2019	2018
Trust for Cultural Resources of The City of New York:			
Series 2008A Revenue Bonds	$	151,250,000	151,250,000
Series 2016A Revenue Bonds		87,575,000	87,575,000
Long-term debt		238,825,000	238,825,000
Unamortized bond premium		12,456,391	14,135,904
Unamortized debt issuance costs		(1,142,882)	(1,253,542)
Total long-term debt	$	250,138,509	251,707,362

In fiscal year 2006, Lincoln Center entered into a long-term tax-exempt borrowing in the amount of $150,000,000 with the Trust for Cultural Resources of The City of New York (the Trust) for the purpose of financing, through proceeds from the Series 2006A Revenue Bonds (Series 2006A Bonds), certain costs of the previous Redevelopment Projects. The Series 2006A Bonds were refunded in July 2008 with the issuance, through the Trust, of $151,250,000 Series 2008A variable rate tax exempt bonds (Series 2008A Bonds). The Series 2008A Bonds are due December 1, 2035 and were secured by two irrevocable direct pay letters of credit issued by two major banks that expired on June 17, 2015. In June 2015 with the expiration of these two letters of credit, the 2008A Bonds totaling $151,250,000 were purchased by Banc of America Capital Corporation through a bank direct purchase, which is subject to a mandatory tender in June 2020. The bond is integrated with the below mentioned fixed interest rate swaps totaling $145,000,000.

In November 2016, Lincoln Center, in conjunction with the Trust, refinanced existing bonds through the issuance of $87,575,000 of long-term tax-exempt Series 2016A Revenue Bonds (Series 2016A Bonds). The Series 2016A Bonds mature December 1, 2026, bear interest at 5% per annum and were issued at a premium of $16,795,133. The prior bonds were deemed legally defeased at the time of refinancing.

Effective January 17, 2006, Lincoln Center entered into a fixed rate interest swap agreement with a major investment banking institution as a hedge on $95,000,000 of variable rate debt. Such agreement expires on June 1, 2034. Under the terms of the agreement, Lincoln Center pays interest at a predetermined fixed rate of 3.70% and receives a variable rate. The collateral on this agreement was $19,246,746 and $10,311,558 at June 30, 2019 and 2018, respectively.

Lincoln Center also has an interest rate swap contract for $50,000,000 with a major bank in which Lincoln Center pays at a predetermined fixed rate of 4.01% and receives a variable rate, which expires on September 1, 2038. The collateral on this agreement was $10,647,152 and $5,587,152 at June 30, 2019 and 2018, respectively.

The collateral held under these agreements is reported as restricted cash on the accompanying consolidated balance sheet.

The aggregate estimated fair value of these two agreements is $(50,032,292) and $(36,837,135) at June 30, 2019 and 2018, respectively. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments and is considered to be Level 2 in the fair value hierarchy. Such amount is recorded as a liability in the consolidated balance sheets. Unrealized (losses)/gains of $(13,195,157) and $11,332,276 on these swaps are reflected in the consolidated statements of activities for the years ended June 30, 2019 and 2018, respectively.

Interest expense reported in the consolidated statements of activities related to long-term debt is $11,056,781 and $11,080,775 in 2019 and 2018, respectively.

(Continued)

(10) Rose Building Garage

In 1990, Lincoln Center entered into a management agreement with Performance Parking LLC for management of the Rose Building Garage, which expired on June 30, 2018. Under terms of the agreement, as amended, Performance Parking LLC was entitled to the net receipts and paid Lincoln Center an annual amount, subject to a 2% increase each year and further escalation as defined in the agreement. Lincoln Center received $2,826,323 in fiscal year 2018, the final year of the agreement.

(11) Net Assets

Net assets at June 30, 2019 and 2018 were available for the following purposes:

	2019	2018
Without donor restrictions:		
General operating	$ 9,582,653	10,759,475
Board designated:		
Board-designated endowment funds	108,282,526	109,089,812
Renewal and replacement reserves	4,694,789	5,932,320
Operations – special reserves	620,897	620,897
Total board designated	113,598,212	115,643,029
Redevelopment and other physical capital	37,736,276	70,996,292
Total without donor restrictions	160,917,141	197,398,796
With donor restrictions – purpose or time restricted:		
Program support, primarily accumulated gains on endowment of $52,754,257 and $53,329,808 in 2019 and 2018, respectively	62,976,950	70,527,444
Lincoln Center Redevelopment Projects and other capital	63,755,302	44,371,418
Total with donor restrictions – purpose or time restricted	126,732,252	114,898,862
With donor restrictions – endowment fund corpus, income restricted for various programs	96,966,862	96,424,985
Total with donor restrictions	223,699,114	211,323,847
Total net assets	$ 384,616,255	408,722,643

(12) Pension Plan

Lincoln Center participates in a multiple employer defined benefit pension plan (the Plan) along with certain of its Constituents, which covers substantially all nonunion employees. Employers' contributions to the plan are commingled and available to pay the benefits of all plan participants. As of June 30, 2018 and 2017 (the most recent actuarial valuation information available), the actuarial value of plan assets was $76,708,404 and $72,168,828, the actuarial accrued liability was $93,815,259 and $87,363,710, and the funded percentage was 82% and 83%, respectively. In addition, at June 30, 2018 and 2017, the fair value of plan net assets available for benefits was $75,233,671 and $68,771,690, the present value of accumulated benefit obligation was $93,406,272 and $87,299,824, and the funded percentage based on the fair value of plan net assets was 81% and 79%, respectively. For fiscal years 2019 and 2018, Lincoln Center contributed $3,599,517 and $3,148,231, respectively, to the nonunion pension plan.

The Plan was amended to include a modified freeze effective July 1, 2017. Current participants will maintain a modified pension benefit. Employees hired after June 30, 2017 will not be eligible to participate in the Plan. Such employees will be able to participate in a modified 403(b) Plan, subject to eligibility requirements.

Lincoln Center also participates in two significant multiemployer pension plans based upon collective bargaining agreements. The two plans are outlined in the table below. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status is available at each plan's year end. The zone status is based on information that Lincoln Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Both plans certified a green zone status for the plan years ended 2018 and 2017. Similarly, neither plan imposed a surcharge as part of their respective collective bargaining agreements. In addition, Lincoln Center would be responsible for any withdrawal liability under the agreements with the unions.

Pension fund	EIN	Plan year-end	Contributions from LCPA 2019	Contributions from LCPA 2018	Agreement expiration
32 BJ/Broadway League Pension Fund	13-1998219	12/31/2018	$ 600,756	595,930	8/31/2019 10/31/2020
Treasurers and Ticket Sellers Local 751 Pension Fund	13-6164776	8/31/2018	148,732	153,886	8/31/2020

Lincoln Center also participates in certain other plans that are not considered significant. Lincoln Center contributed less than 5% of the total contributions to these plans, which collectively amounted to $1,067,276 and $1,071,529 for fiscal years 2019 and 2018, respectively.

(13) Litigation

Lincoln Center is involved in several legal proceedings and claims. Management believes that the liabilities, if any, resulting from such proceedings will not have a material adverse effect on the financial condition of Lincoln Center.

(14) Functional Expenses

For fiscal year 2019 (with summary totals for fiscal year 2018), the following schedule describes management's allocation of expenses by natural classification to Lincoln Center's various functional categories:

	Performance presentations	Media development	Education and outreach	Facilities management and services	Guest services and others	Total program expenses	Management and general	Fundraising	2019	2018
					(In thousands)					
Salaries and benefits	$ 3,452	1,461	5,102	43,037	951	54,003	14,007	5,036	73,046	81,401
Artists and performing fees	8,154	387	1,091	3	2	9,637	—	—	9,637	12,780
Legal and other professional fees	59	2	232	212	116	621	3,332	270	4,223	4,243
Travel and entertainment	162	9	587	99	8	865	286	120	1,271	1,624
Equipment, production, and space rental	4,848	1,490	437	1,571	4	8,350	191	13	8,554	9,248
Advertising and promotion	2,272	164	149	18	3	2,606	182	42	2,830	3,647
Insurance	104	6	1	1,414	20	1,545	180	—	1,725	1,667
Maintenance, repairs, and other occupancy costs	31	9	97	10,678	19	10,834	1,559	181	12,574	12,998
Utilities	—	—	—	7,373	4	7,377	17	—	7,394	7,211
Other	294	48	1,684	2,523	119	4,668	2,454	1,379	8,501	11,701
Depreciation	278	—	445	12,761	—	13,484	1,282	500	15,266	16,065
Interest and other financing costs	—	—	—	9,590	—	9,590	—	—	9,590	9,554
Total	$ 19,654	3,576	9,825	89,279	1,246	123,580	23,490	7,541	154,611	172,139

(15) Endowment Funds

Lincoln Center's endowment consists of 68 individual funds, including both donor-restricted endowment funds and amounts designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Lincoln Center has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing Lincoln Center to appropriate for expenditures or accumulate so much of a donor-restricted endowment fund as Lincoln Center determines is prudent considering the uses, benefits, purposes, and duration for which the donor-restricted endowment fund is established, subject to the intent of the donor. Lincoln Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to protect the original value of the gift after inflation. Under this policy, the endowment assets are invested in a manner that is intended to produce results consistent with Lincoln Center's overall investment strategy.

Accounting guidance associated with NYPMIFA requires the portion of the donor-restricted endowment fund that is not classified as endowment fund corpus to be classified as net assets with donor restrictions – purpose or time restricted until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Lincoln Center classifies as net assets with donor restrictions – endowment fund corpus the original value of gifts to the permanent endowment and the investment return required by the donor to be added to the permanent endowment.

The net asset classes of Lincoln Center's endowment funds, including contributions receivable of $57,840 and $66,991 and split interest agreements of $847,354 and $988,850 as of June 30, 2019 and 2018, respectively, are as follows:

	June 30, 2019			
		Without donor restrictions		
	Without donor restrictions	Purpose or time restricted	Endowment fund corpus	Total
Donor-restricted funds	$ —	52,754,257	96,966,862	149,721,119
Board-designated fund	108,282,526	—	—	108,282,526
Total endowment	$ 108,282,526	52,754,257	96,966,862	258,003,645

	June 30, 2018			
		With donor restrictions		
	Without donor restrictions	Purpose or time restricted	Endowment fund corpus	Total
Donor-restricted funds	$ —	53,329,808	96,424,985	149,754,793
Board-designated fund	109,089,812	—	—	109,089,812
Total endowment	$ 109,089,812	53,329,808	96,424,985	258,844,605

The following tables present changes in Lincoln Center's endowment funds, including contributions receivable, for the years ended June 30, 2019 and 2018:

	June 30, 2019			
		With donor restrictions		
	Without donor restrictions	Purpose or time restricted	Endowment fund corpus	Total
Endowment net assets, June 30, 2018	$ 109,089,812	53,329,808	96,424,985	258,844,605
Interest and dividends	133,324	234,633	—	367,957
Investment management and custodial fees	(577,248)	(725,177)	—	(1,302,425)
Net realized and unrealized appreciation of investments	4,874,465	6,020,418	—	10,894,883
Contributions and designations, net	88,962	—	541,877	630,839
Amounts appropriated for operations	(5,005,820)	(6,082,675)	—	(11,088,495)
Other	(320,969)	(22,750)	—	(343,719)
Endowment net assets, June 30, 2019	$ 108,282,526	52,754,257	96,966,862	258,003,645

	June 30, 2018			
		With donor restrictions		
	Without donor restrictions	Purpose or time restricted	Endowment fund corpus	Total
Endowment net assets, June 30, 2017	$ 104,702,273	46,365,144	97,619,002	248,686,419
Interest and dividends	178,136	311,834	—	489,970
Investment management and custodial fees	(603,491)	(751,547)	—	(1,355,038)
Net realized and unrealized appreciation of investments	10,731,300	13,226,453	—	23,957,753
Contributions and designations, net	158,109	—	(1,194,017)	(1,035,908)
Amounts appropriated for operations	(4,939,199)	(5,798,816)	—	(10,738,015)
Other	(273,031)	(23,260)	—	(296,291)
Appropriations in excess of designated spending rate	(864,285)	—	—	(864,285)
Endowment net assets, June 30, 2018	$ 109,089,812	53,329,808	96,424,985	258,844,605

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. Deficiencies of this nature are reported as net assets with donor restrictions. There were no funds with deficiencies at June 30, 2019 or 2018.

(b) Return Objectives and Risk Parameters

Lincoln Center has adopted investment policies for its endowment that attempt to provide a reasonable level of support, as determined by Lincoln Center's spending policy, while seeking to preserve the real value of the endowment assets over time. Lincoln Center relies on a total return strategy under which investment returns are achieved through both appreciation (realized and unrealized) and yield (interest and dividends). Investments are diversified by asset class, as well as by investment manager and style, with a focus on achieving long-term return objectives within prudent risk constraints.

(16) Related Party Transactions

Members of Lincoln Center's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with Lincoln Center. For senior management, Lincoln Center requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with Lincoln Center. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of Lincoln Center, and to undertake periodic review of continuing such relationships. Lincoln Center has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors can participate in any decision in which he or she (or immediate family member) has a material financial interest. Each director is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether Lincoln Center does business with an entity in which the director has a material financial interest. When such a relationship exists, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of Lincoln Center, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

(17) Subsequent Events

Events that have occurred subsequent to June 30, 2019 have been evaluated through November 19, 2019, the date LCPA's consolidated financial statements were available to be issued, and no additional subsequent event disclosures were identified.

Schedule 1

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.
AND RELATED ENTITY

Consolidating Balance Sheet

June 30, 2019

Assets	Lincoln Center for the Performing Arts, Inc.	Lincoln Center Development Project	Total	Consolidation and elimination entries	Consolidated total
Cash and cash equivalents	$ 2,562,782	347,976	2,910,758	—	2,910,758
Restricted cash	29,893,898	—	29,893,898	—	29,893,898
Accounts and investment income receivable	15,635,329	2,169,630	17,804,959	(1,828,533)	15,976,426
Contributions and grants receivable, net	72,681,032	—	72,681,032	—	72,681,032
Prepaid expenses, inventory, and other assets	8,065,037	365,603	8,430,640	—	8,430,640
Investments	257,179,645	—	257,179,645	—	257,179,645
Fixed assets, net	350,502,226	139,158	350,641,384	—	350,641,384
Total assets	$ 736,519,949	3,022,367	739,542,316	(1,828,533)	737,713,783
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 17,289,823	2,776,485	20,066,308	(1,828,533)	18,237,775
Deferred revenue	24,688,952	—	24,688,952	—	24,688,952
Borrowings under line of credit	10,000,000	—	10,000,000	—	10,000,000
Fair value of interest rate swaps	50,032,292	—	50,032,292	—	50,032,292
Long-term debt	250,138,509	—	250,138,509	—	250,138,509
Total liabilities	352,149,576	2,776,485	354,926,061	(1,828,533)	353,097,528
Commitments and contingencies					
Net assets:					
Without donor restrictions:					
General operating	9,582,653	—	9,582,653	—	9,582,653
Board designated	113,598,212	—	113,598,212	—	113,598,212
Redevelopment and other physical capital	37,490,394	245,882	37,736,276	—	37,736,276
Total net assets without donor restrictions	160,671,259	245,882	160,917,141	—	160,917,141
With donor restrictions:					
Purpose or time restricted	126,732,252	—	126,732,252	—	126,732,252
Endowment fund corpus	96,966,862	—	96,966,862	—	96,966,862
Total net assets with donor restrictions	223,699,114	—	223,699,114	—	223,699,114
Total net assets	384,370,373	245,882	384,616,255	—	384,616,255
Total liabilities and net assets	$ 736,519,949	3,022,367	739,542,316	(1,828,533)	737,713,783

See accompanying independent auditors’ report.

Schedule 2

LINCOLN CENTER FOR THE PERFORMING ARTS, INC.
AND RELATED ENTITY

Consolidating Statement of Activities

Year ended June 30, 2019

	Lincoln Center for the Performing Arts, Inc.	Lincoln Center Development Project	Total	Consolidation and elimination entries	Consolidated total
Revenue:					
Contributions, private grants, and bequests	$ 45,071,015	—	45,071,015	—	45,071,015
Government grants	1,668,905	—	1,668,905	—	1,668,905
Investment return:					
Designated for current operations	11,088,495	—	11,088,495	—	11,088,495
Less than amounts designated for current operations	(1,128,080)	—	(1,128,080)	—	(1,128,080)
Net unrealized loss on swap agreements	(13,195,157)	—	(13,195,157)	—	(13,195,157)
Box office and other program service revenue	8,825,088	—	8,825,088	—	8,825,088
Facilities services	34,644,355	—	34,644,355	(13,197)	34,631,158
Rental income	31,256,843	—	31,256,843	(45,664)	31,211,179
Other income	4,012,189	12,763,124	16,775,313	(12,763,124)	4,012,189
Special event revenue, net of expenses of $2,054,012	9,546,635	—	9,546,635	—	9,546,635
Total revenue	131,790,288	12,763,124	144,553,412	(12,821,985)	131,731,427
Expenses:					
Program services:					
Performance presentations	19,653,703	—	19,653,703	—	19,653,703
Media development (Live from Lincoln Center)	3,575,659	—	3,575,659	—	3,575,659
Education and outreach	9,825,409	—	9,825,409	—	9,825,409
Facilities management and services	79,748,193	—	79,748,193	(58,861)	79,689,332
Guest services and other	1,245,784	—	1,245,784	—	1,245,784
Redevelopment projects	—	11,511,214	11,511,214	(11,511,214)	—
Interest and other financing costs, net	9,590,264	—	9,590,264	—	9,590,264
Total program services	123,639,012	11,511,214	135,150,226	(11,570,075)	123,580,151
Supporting services:					
Management and general	23,632,095	1,109,766	24,741,861	(1,251,910)	23,489,951
Fundraising	7,541,264	—	7,541,264	—	7,541,264
Total supporting services	31,173,359	1,109,766	32,283,125	(1,251,910)	31,031,215
Total expenses	154,812,371	12,620,980	167,433,351	(12,821,985)	154,611,366
Change in net assets	(23,022,083)	142,144	(22,879,939)	—	(22,879,939)
Net assets at beginning of year, as previously reported	408,618,905	103,738	408,722,643	—	408,722,643
Impact of change in accounting policy	(1,226,449)	—	(1,226,449)	—	(1,226,449)
Adjusted balance at beginning of year	407,392,456	103,738	407,496,194	—	407,496,194
Net assets at end of year	$ 384,370,373	245,882	384,616,255	—	384,616,255

See accompanying independent auditors' report.