THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Boards of Trustees
The Carnegie Hall Corporation
The Carnegie Hall Society, Inc.:

We have audited the accompanying consolidated financial statements of The Carnegie Hall Corporation and The Carnegie Hall Society, Inc., which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years 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 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 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 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 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 The Carnegie Hall Corporation and The Carnegie Hall Society, Inc. as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KPMG LLP

November 20, 2015

THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Balance Sheets

June 30, 2015 and 2014

Assets	**2015**	**2014**
Cash and cash equivalents	$ 14,706,855	18,280,300
Contributions receivable, net (note 4)	25,085,920	69,276,558
Prepaid expenses and other assets	3,188,601	3,533,288
Funds held by trustee (note 2)	452,312	452,312
Investments (note 2)	336,345,208	330,642,293
Fixed assets, net (note 3)	294,400,619	287,286,438
Total assets	$ 674,179,515	709,471,189
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 6,655,987	17,695,556
Advance sale of tickets and other deferred revenue	11,537,119	10,910,605
Accrued pension benefit obligation (note 8)	22,406,582	16,201,589
Loans payable (note 6)	127,814,880	148,613,041
Total liabilities	168,414,568	193,420,791
Net assets (note 10):		
Unrestricted	179,540,656	198,701,557
Temporarily restricted	143,845,068	135,292,408
Permanently restricted	182,379,223	182,056,433
Total net assets	505,764,947	516,050,398
Total liabilities and net assets	$ 674,179,515	709,471,189

See accompanying notes to consolidated financial statements.

THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Statements of Activities

Years ended June 30, 2015 and 2014

	2015	2014
Change in unrestricted net assets:		
Operations:		
Expenses (note 7):		
Carnegie Hall produced events and audience development	$ 21,708,653	21,462,834
Hall operations	17,296,207	17,441,346
Real estate operations (note 5)	18,438,003	14,663,618
Weill Music Institute education programs	9,231,489	8,626,941
General and administrative	8,761,440	7,802,035
Fund-raising expenses	7,286,708	6,276,777
Interest expense (note 6)	5,758,767	5,744,943
Other operations	3,112,704	3,684,984
	91,593,971	85,703,478
Revenues:		
Earned revenue:		
Box office receipts from Carnegie Hall produced events	15,454,168	14,371,547
Hall rental operations	13,358,956	13,099,353
Real estate operations and other (note 5)	15,550,538	14,632,051
Total earned revenue	44,363,662	42,102,951
Contributed income:		
Annual campaign and fund-raising events	7,342,527	8,301,595
The City of New York and other government agency grants	407,135	479,835
Net assets released from restrictions:		
Satisfaction of donor restrictions	22,100,994	18,889,071
Total contributed revenue	29,850,656	27,670,501
Investment income:		
Endowment support released from restriction/authorized for spending (note 10)	16,700,000	15,500,000
Other investment income (note 2)	262,263	723,700
Total operating investment income	16,962,263	16,223,700
Total operating revenues	91,176,581	85,997,152
(Deficiency) excess of operating revenues over expenses	(417,390)	293,674
Nonoperating:		
Depreciation and amortization expense (note 7)	(16,121,531)	(13,155,316)
Loss not yet recognized as a component of net periodic benefit cost (note 8)	(3,285,595)	(1,201,114)
Net assets released from restrictions for capital	663,615	162,039,183
(Decrease) increase in unrestricted net assets	(19,160,901)	147,976,427
Change in temporarily restricted net assets:		
Contributions	33,751,727	35,806,857
The City of New York and other government agency grants (note 3)	803,780	3,509,746
Investment return, net (note 2)	13,461,762	52,547,622
Net assets released from restrictions:		
Satisfaction of donor restrictions	(22,764,609)	(180,928,254)
Endowment support (note 10)	(16,700,000)	(15,500,000)
Increase (decrease) in temporarily restricted net assets	8,552,660	(104,564,029)
Change in permanently restricted net assets:		
Endowment campaign contributions (note 10)	322,790	203,285
Increase in permanently restricted net assets	322,790	203,285
(Decrease) increase in net assets	(10,285,451)	43,615,683
Net assets at beginning of year	516,050,398	472,434,715
Net assets at end of year	$ 505,764,947	516,050,398

See accompanying notes to consolidated financial statements.

THE CARNEGIE HALL CORPORATION
THE CARNEGIE HALL SOCIETY, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (10,285,451)	43,615,683
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and amortization	16,121,531	13,155,316
Amortization of bond discount and issuance costs	62,528	62,528
Realized and unrealized gains on investments	(13,303,666)	(53,286,501)
Endowment and capital contributions	(986,405)	(20,612,279)
Changes in assets and liabilities:		
Contributions receivable, less amounts classified as financing activities	722,383	(1,695,642)
Prepaid expenses and other assets	344,687	(412,603)
Accrued pension benefit obligation	6,204,993	3,599,662
Other operating liability accounts, less amounts classified as investing activities	(491,025)	2,270,091
Net cash used in operating activities	(1,610,425)	(13,303,745)
Cash flows from investing activities:		
Purchases of investments	(84,542,604)	(56,544,871)
Proceeds from sale of investments	92,143,355	64,155,404
(Decrease) increase in construction payable	(9,922,030)	2,852,459
Purchase of fixed assets	(23,235,712)	(41,217,681)
Net cash used in investing activities	(25,556,991)	(30,754,689)
Cash flows from financing activities:		
Proceeds from endowment and capital contributions	44,454,660	32,309,371
Decrease in funds held by trustee	—	20,410
Payments on line of credit	(20,860,689)	—
Proceeds from line of credit	—	21,546,427
Net cash provided by financing activities	23,593,971	53,876,208
Net (decrease) increase in cash and cash equivalents	(3,573,445)	9,817,774
Cash and cash equivalents at beginning of year	18,280,300	8,462,526
Cash and cash equivalents at end of year	$ 14,706,855	18,280,300

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Carnegie Hall Corporation (the Corporation) was established in 1960 by legislation of the State of New York for the purpose of managing and operating Carnegie Hall as an auditorium and facility for concerts and other cultural activities. The Carnegie Hall Society, Inc. (the Society) was established in the same year to support Carnegie Hall's preservation and activities in music performance and education. The Society secures donations and uses the income from its endowment, within established policies, to contribute to the operations of the Corporation and for other related activities. The consolidated financial statements include the accounts of the Corporation and the Society, after elimination of significant transactions between the two organizations.

The Corporation and the Society (collectively, Carnegie Hall) have been classified by the Internal Revenue Service as 501(c)(3) organizations and are exempt from substantially all federal, state, and local taxes.

The significant accounting policies of Carnegie Hall are discussed below and in the following notes to the consolidated financial statements.

(b) Basis of Presentation

Carnegie Hall's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations are unrestricted. Carnegie Hall considers depreciation and amortization, loss on disposal of fixed assets, pension plan adjustments, and net assets released from restrictions for capital to be nonoperating in the consolidated statements of activities.

Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that will be met by either actions of Carnegie Hall or the passage of time. Temporarily restricted net assets are restricted principally to artistic and education programs, and include unexpended endowment gains that have not been appropriated for expenditure (note 10).

Permanently restricted net assets – Net assets that are subject to donor-imposed stipulations to be maintained in perpetuity. Generally, the donors of these assets permit Carnegie Hall to use all or part of the income earned on related investments for general or specific purposes. The income from permanently restricted net assets is expendable principally to support the artistic, education, and general activities of Carnegie Hall.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor-imposed restrictions or by law. As discussed in note 10, investment income on donor-restricted endowment funds is recorded as temporarily restricted until appropriated for expenditure. When restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished or endowment funds are appropriated for expenditure, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets.

(c) Cash Equivalents

Cash equivalents include short-term investments with original maturities of three months or less at the time of purchase, except for those short-term investments managed by Carnegie Hall's investment managers as part of their long-term investment strategy.

(d) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities that Carnegie Hall has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable at or near the consolidated balance sheet date.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the hierarchy does not necessarily correspond to Carnegie Hall's perceived risk of that instrument.

Information regarding fair value measurements related to Carnegie Hall's investments, contributions receivable, and loans payable are discussed in notes 2, 4, and 6, respectively. The carrying amounts of Carnegie Hall's other financial instruments approximated their fair values at June 30, 2015 and 2014 because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

(e) Use of Estimates

The preparation of the consolidated 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 reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and revenues, expenses, gains, and losses recognized during the reporting period. Significant estimates made in preparation of the consolidated financial statements include the fair value of alternative investments, net realizable value of contributions receivable, pension benefit obligations, determination of depreciable lives for fixed assets, and allocation of functional expenses. Actual results could differ from those estimates.

(f) New Authoritative Accounting Pronouncements

In 2015, Carnegie Hall early adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Carnegie Hall applied the provisions of the update retrospectively to 2014.

In 2015, Carnegie Hall early adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheets as a direct deduction from the debt liability. Carnegie Hall applied the provisions of the update retrospectively to 2014.

(g) Reclassifications

Certain reclassifications of 2014 amounts have been made to conform to the 2015 presentation.

(h) Subsequent Events

Carnegie Hall evaluated subsequent events after the consolidated balance sheet date of June 30, 2015 through November 20, 2015, which was the date the consolidated financial statements were issued, and concluded that no additional disclosures are required.

(2) Investments

Investments are stated at fair value based upon quoted market prices except for the fair values of alternative investments, including equity, fixed income, real estate, and private equity funds, which are based on net asset values (practical expedient) provided by the fund managers and general partners based upon the underlying net assets of the funds. These values are reviewed and evaluated by management. Alternative investments, real estate, and private equity funds are generally less liquid than other investments and the reported fair value may differ from the values that would have been reported had a ready market for these investments existed.

The following table presents the fair value hierarchy for investments as of June 30, 2015:

	Fair value	Level 1	Level 2	Level 3
Fixed income:				
Short-term duration	$ 41,867,360	41,867,360	—	—
U.S. Treasuries and agencies	24,056,750	24,056,750	—	—
Equities:				
Domestic	87,387,621	87,387,621	—	—
	153,311,731	$ 153,311,731	—	—
Investments reported at net asset value	183,033,477			
Total investments	$ 336,345,208			

The following table presents the fair value hierarchy for investments as of June 30, 2014:

	Fair value	Level 1	Level 2	Level 3
Fixed income:				
Short-term duration	$ 33,487,889	33,487,889	—	—
U.S. Treasuries and agencies	9,347,831	9,347,831	—	—
Equities:				
Domestic	91,738,683	91,738,683	—	—
	134,574,403	$ 134,574,403	—	—
Investments reported at net asset value	196,067,890			
Total investments	$ 330,642,293			

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

The following table presents the liquidity and outstanding commitments for all investments reported at net asset value as of June 30, 2015 and 2014:

	June 30, 2015					
		Liquidity				
	Fair value	Quarterly	Semiannual	Annual	Greater than one year	Outstanding commitments
Equities:						
Event driven	$ 58,941,902	—	34,204,283	24,737,619	—	—
Sector long/short	25,157,817	5,631,625	19,526,192	—	—	—
Foreign	18,231,988	17,913,342	—	—	318,646	—
Alternative investments:						
Global long/short debt/equity funds	1,616,625	—	—	—	1,616,625	—
Distressed debt hedge funds	6,322,193	—	2,189,452	—	4,132,741	—
Multistrategy hedge funds	27,289,260	25,175,203	—	1,587,522	526,535	—
Real estate	14,426,006	—	—	—	14,426,006	1,429,271
Private equity	31,047,686	—	—	—	31,047,686	7,479,303
	$ 183,033,477	48,720,170	55,919,927	26,325,141	52,068,239	8,908,574

	June 30, 2014					
		Liquidity				
	Fair value	Quarterly	Semiannual	Annual	Greater than one year	Outstanding commitments
Fixed income:						
High-yield bond fund	$ 11,961,768	11,961,768	—	—	—	—
Equities:						
Event driven	66,532,826	—	41,400,410	25,132,416	—	—
Sector long/short	22,912,688	4,936,757	17,975,931	—	—	—
Foreign	8,135,489	7,783,316	—	—	352,173	—
Alternative investments:						
Global long/short debt/equity funds	1,892,536	—	—	—	1,892,536	—
Distressed debt hedge funds	6,918,459	—	1,915,223	—	5,003,236	—
Multistrategy hedge funds	28,201,271	24,298,139	—	3,125,349	777,783	—
Real estate	13,353,678	—	—	—	13,353,678	3,856,406
Private equity	36,159,175	—	—	—	36,159,175	9,965,936
	$ 196,067,890	48,979,980	61,291,564	28,257,765	57,538,581	13,822,342

For investments with quarterly, semiannual, and annual redemptions, the notice periods for redemptions range from approximately 10 to 180 days as of June 30, 2015. At June 30, 2015, Carnegie Hall had commitments of approximately $9 million relating to private equity and real estate investments, for which capital calls had not been made. Such commitments generally have fixed expiration dates or other termination clauses. Carnegie Hall maintains sufficient liquidity in its investment portfolio to cover such calls. Additionally, at June 30, 2015, Carnegie Hall's investments in private equity and real estate investments had remaining lives of one to eleven years.

(Continued)

Funds held by trustee totaling $452,312 at June 30, 2015 and 2014 are invested in cash, which is considered Level 1 within the fair value hierarchy.

In 2015 and 2014, investment return includes the following components:

		2015	2014
Interest and dividends	$	1,111,316	1,058,252
Realized and unrealized gains		13,303,666	53,286,501
Investment expenses		(690,957)	(1,073,431)
	$	13,724,025	53,271,322

(3) Fixed Assets

Fixed assets are recorded at cost and consist of the following at June 30, 2015 and 2014:

		2015	2014
Leasehold improvements	$	359,047,812	339,559,032
Building		8,400,000	8,400,000
Furniture and equipment		12,422,516	9,717,066
		379,870,328	357,676,098
Less accumulated depreciation and amortization		(85,469,709)	(70,389,660)
	$	294,400,619	287,286,438

The cost of leasehold improvements is amortized using the straight-line method over the estimated useful lives of the assets or term of the lease, whichever is shorter, ranging principally from ten to forty years. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, ranging principally from five to ten years.

The Studio Towers Renovation Project commenced in 2010 to create an education wing, renovate backstage areas, and upgrade building infrastructure. Project costs are being financed by public and private support as well as the proceeds from a portion of the loans payable discussed in note 6. As the asset was placed into service in 2014, the donor restricted amounts financed by public and private support were released from restriction. Carnegie Hall has outstanding commitments in the amount of approximately $3.5 million related to the project at June 30, 2015.

Carnegie Hall disposed of fixed assets with a cost and accumulated depreciation of $1,041,482 and $5,103,310 in 2015 and 2014, respectively.

The City of New York has historically made grants to Carnegie Hall for capital improvement purposes. In 2015, $28,444,000 was received related to prior year commitments and in 2014, $1,970,000 was recognized as a contribution from the City of New York for the Studio Towers Renovation Project.

(Continued)

(4) Contributions

Contributions receivable at June 30, 2015 and 2014 are scheduled to be collected as follows:

		2015	2014
Less than one year	$	16,259,017	52,536,674
One to five years		9,293,822	17,601,872
Greater than five years		—	25,000
		25,552,839	70,163,546
Less allowance for uncollectible contributions receivable		(37,000)	(60,000)
Adjustment to reflect contributions receivable at discounted value (at rates ranging from 3% to 5%)		(429,919)	(826,988)
	$	25,085,920	69,276,558

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) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary.

Amounts receivable from five donors represented 39% and 66% of gross contributions receivable as of June 30, 2015 and 2014, respectively.

Fund-raising expenses, exclusive of depreciation, reflected in the accompanying consolidated financial statements of $7,286,708 and $6,276,777 have been incurred to raise contributions and grants, including temporarily and permanently restricted contributions, totaling $42,627,959 and $48,301,318 in 2015 and 2014, respectively.

(5) Property Lease

The Corporation has a lease with the City of New York (the Master Lease) covering the Carnegie Hall building and land, and the land adjacent thereto (the Tower Property). The Corporation subleases the Tower Property (the Sublease) to a real estate developer (the Subtenant) who has constructed an office building (the Building) on this property. The Master Lease and the Sublease expire in 2086. Under the terms of the Master Lease, the annual rental expense for the Carnegie Hall building and land is $183,600. However, the City of New York has directed that this amount be used by the Corporation for specific operating purposes in lieu of payment of rent. The annual rent payable to the City of New York for the Tower Property is based on the amount of revenue the Corporation receives from the Subtenant. These subrental revenues are subject to adjustment based upon Subtenant commercial rental revenues, property value, and any refinancing or property transfer, as defined in the Sublease.

Future minimum payments relating to the Tower Property due under the Master Lease, related Sublease, and other operating leases are as follows:

		Future minimum lease payments	Future minimum subrental revenues
Year ending June 30:			
2016	$	9,577,647	13,682,352
2017		9,879,279	14,113,255
2018		9,879,279	14,113,255
2019		8,549,276	12,213,252
2020		8,549,276	12,213,252

The Tower Property subrental revenues for the years ended June 30, 2015 and 2014 amounted to $13,430,147 and $11,762,346, respectively. The Tower Property rent expense paid to the City of New York for the years ended June 30, 2015 and 2014 amounted to $9,401,103 and $8,233,642, respectively.

(6) Loans Payable and Line of Credit

In November 2009, The Trust for Cultural Resources of the City of New York (the Trust) issued Series 2009 Revenue Bonds, the proceeds of which have been loaned to Carnegie Hall. The outstanding amount due under the Series 2009 Revenue Bonds at June 30, 2015 and 2014 is $110,000,000.

The interest on the Series 2009 Revenue Bonds is fixed at 4.75% on $28,905,000 principal amount and 5.00% on $81,095,000 principal amount. The loan agreement between Carnegie Hall and the Trust requires that Carnegie Hall make loan repayments equal to all principal and interest payable on the applicable bond payment dates. Loan principal repayments are scheduled to commence during the fiscal year ending June 30, 2026. The Corporation and the Society are jointly and severally liable under the loan agreement. Carnegie Hall is in compliance with the requirements of the loan documents. Interest paid for the years ended June 30, 2015 and 2014 was $5,427,738.

As of June 30, 2015 and 2014, the Series 2009 Revenue Bonds had an unamortized bond discount and issuance costs of $187,695 and $1,339,006, and $195,383 and $1,393,846, respectively, included in loans payable in the accompanying consolidated balance sheets.

Carnegie Hall obtained a $78,500,000 unsecured line of credit with a financial institution to provide assistance with capital expenditure projects. The revolving credit agreement provides a total commitment of $78,500,000 for the period May 14, 2012 through March 31, 2015; this amount is reduced to $50,000,000 for the period April 1, 2015 through March 31, 2017, when all amounts under the agreement are due. At June 30, 2015 and 2014, the amount outstanding under the agreement is $19,341,581 and $40,202,270, respectively. The outstanding amount is recorded as a liability and included with loans payable in the accompanying consolidated balance sheets. The interest rate on the outstanding amount is approximately 0.84% at June 30, 2015. The fixed fee rate on the unused balance of $30,658,419 was 0.10% at June 30,

2015. Interest and fees paid on the line of credit for the years ended June 30, 2015 and 2014 were $322,132 and $309,546, respectively.

The line of credit agreement requires Carnegie Hall to meet certain financial covenants. At June 30, 2014, Carnegie Hall was in compliance with these financial covenants.

The fair value of loans payable, approximated $141,342,000 and $158,202,000 at June 30, 2015 and 2014, respectively, which is based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs.

(7) Allocation of Expenses

Carnegie Hall excluded depreciation and amortization and interest from the functional expense categories in the consolidated statements of activities for the years ended June 30, 2015 and 2014. Those expenses have been distributed to the functional areas of Carnegie Hall as follows:

	2015			
	Expenses excluding depreciation and interest	Depreciation and amortization	Interest	Total
Programs	$ 69,787,056	15,390,970	5,758,767	90,936,793
General and administrative	8,761,440	552,769	—	9,314,209
Fund-raising	7,286,708	177,792	—	7,464,500
Total	$ 85,835,204	16,121,531	5,758,767	107,715,502

	2014			
	Expenses excluding depreciation and interest	Depreciation and amortization	Interest	Total
Programs	$ 65,879,723	12,801,343	5,744,943	84,426,009
General and administrative	7,802,035	267,829	—	8,069,864
Fund-raising	6,276,777	86,144	—	6,362,921
Total	$ 79,958,535	13,155,316	5,744,943	98,858,794

(8) Pension Plans

The Corporation has a defined benefit pension plan for its administrative employees. Plan benefits are based on a participant's years of service, age, and average monthly compensation. The Corporation's funding policy is to contribute amounts to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The following table sets forth the plan's financial information as of June 30, 2015 and 2014:

		2015	2014
Change in benefit obligation:			
Benefit obligation at beginning of year	$	30,777,912	25,882,733
Service cost		2,012,102	1,699,768
Interest cost		1,241,218	1,166,226
Actuarial loss		3,369,137	2,207,743
Benefits paid and estimated expenses		(543,176)	(178,558)
Benefit obligation at end of year		36,857,193	30,777,912
Change in plan assets:			
Fair value of plan assets at beginning of year		14,576,323	13,280,806
Actual return		436,882	1,107,726
Employer contributions		—	400,000
Benefits paid and actual expenses		(562,594)	(212,209)
Fair value of plan assets at end of year		14,450,611	14,576,323
Funded status	$	(22,406,582)	(16,201,589)

		2015	2014
Components of net periodic cost:			
Service cost	$	2,012,102	1,699,768
Interest cost		1,241,218	1,166,226
Expected return on plan assets		(880,469)	(531,157)
Other, net		546,547	463,711
Net periodic cost	$	2,919,398	2,798,548
Items not yet recognized as a component of net periodic benefit cost:			
Actuarial loss	$	(3,285,595)	(1,201,114)

Accumulated amounts recorded in unrestricted net assets other than through net periodic benefit cost at June 30, 2015 and 2014 consist of actuarial losses of $12,576,546 and $9,290,951, respectively. In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2016 will include the amortization of the actuarial loss of $723,000.

The accumulated benefit obligation for the plan at June 30, 2015 and 2014 was $28,352,328 and $23,508,458, respectively.

	2015	2014
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.25%	4.15%
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	4.15%	4.65%
Expected return on plan assets	6.70	4.25
Rate of compensation increase	4.00	4.00

Carnegie Hall expects to contribute $600,000 to the plan in 2016. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2016	$ 617,000
2017	—
2018	804,000
2019	1,383,000
2020	914,000
2021–2025	11,087,000

The following tables present Carnegie Hall's fair value hierarchy for plan assets, which are measured at fair value on a recurring basis, as of June 30, 2015 and 2014, respectively:

	2015			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Common stocks	$ 2,067,855	2,067,855	—	—
Mutual funds	5,691,689	5,691,689	—	—
Investment contracts	6,691,067	—	—	6,691,067
	$ 14,450,611	7,759,544	—	6,691,067

	2014			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 8,106	8,106	—	—
Common stocks	1,964,161	1,964,161	—	—
Mutual funds	5,676,870	5,676,870	—	—
Investment contracts	6,927,186	—	—	6,927,186
	$ 14,576,323	7,649,137	—	6,927,186

Activity with respect to Level 3 plan assets for the years ended June 30, 2015 and 2014 was as follows:

		2015	2014
Balance at beginning of year	$	6,927,186	6,824,823
Sales		(505,002)	(174,443)
Interest earned		268,883	276,806
Balance at end of year	$	6,691,067	6,927,186

Carnegie Hall participates in a multiemployer union pension plan, the Pension Fund of Local No. One, I.A.T.S.E. The Employer Identification Number is 13-3022965 and the three-digit Pension Plan number is 001. The most recent Pension Protection Act (PPA) zone status is green at December 31, 2014 and 2013, which is for the plan years ended December 31, 2014 and 2013. The zone status is based on information that Carnegie Hall received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The expiration date of the collective bargaining agreement requiring contributions to the plan is August 31, 2016. The contributions by Carnegie Hall to the union pension fund were $385,826 and $359,916 for the years ended June 30, 2015 and 2014, respectively.

Carnegie Hall further participates in six other multiemployer plans, the amounts of which are insignificant to the consolidated financial statements.

(9) Related Party Transactions

Organizations affiliated with members of the Boards of Trustees of Carnegie Hall provide services to the Corporation and the Society. The arrangements for these services are negotiated on an arm's length basis and are periodically reviewed by the Audit Committees of the Corporation and the Society.

(10) Net Assets

Carnegie Hall's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Carnegie Hall has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Carnegie Hall has a spending policy of appropriating for distribution each year 6% of the endowment funds' average ending balance of the preceding 20 quarters through the calendar year preceding the fiscal year in which the distribution is planned.

The objective of Carnegie Hall's investment portfolio is to provide future growth of the portfolio sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment fund. The objective of the investment program is to enhance the portfolio's long-term viability by maximizing the value of the portfolio with a prudent level of risk. The assets are managed on a total return basis. The Investment Committee of the Board of Trustees has adopted long-term asset allocation policy midrange targets for fixed income, equities, alternative investments, real estate, and private equity.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the original historic dollar value. This deficiency typically results from unfavorable market fluctuations subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies at June 30, 2015 and 2014.

(Continued)

Carnegie Hall's endowment consists of both donor-restricted endowments and those amounts designated by the board to function as endowment. Endowment net assets consist of the following at June 30, 2015 and 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$ —	120,026,245	182,056,433	302,082,678
Board-designated	6,158,289	—	—	6,158,289
Balance at June 30, 2014	$ 6,158,289	120,026,245	182,056,433	308,240,967
Donor-restricted	$ —	116,788,007	182,379,223	299,167,230
Board-designated	6,420,552	—	—	6,420,552
Balance at June 30, 2015	$ 6,420,552	116,788,007	182,379,223	305,587,782

The following table presents the changes in endowment net assets for the years ended June 30, 2015 and 2014:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance at June 30, 2013	$ 5,561,489	82,978,623	181,853,148	270,393,260
Investment gain, net	596,800	52,547,622	—	53,144,422
Endowment spending	—	(15,500,000)	—	(15,500,000)
Contributions	—	—	203,285	203,285
Balance at June 30, 2014	6,158,289	120,026,245	182,056,433	308,240,967
Investment gain, net	262,263	13,461,762	—	13,724,025
Endowment spending	—	(16,700,000)	—	(16,700,000)
Contributions	—	—	322,790	322,790
Balance at June 30, 2015	$ 6,420,552	116,788,007	182,379,223	305,587,782

Temporarily restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

	2015	2014
Artistic and educational programs	$ 24,303,515	11,151,117
Annual fund – time restrictions	2,753,546	4,115,046
Endowment appreciation not appropriated for expenditure	116,788,007	120,026,245
	$ 143,845,068	135,292,408