

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater
Supporting Foundation)

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

JUNE 30, 2011

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2-3
Statement of Activities	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-27
Additional Information	
Independent Auditors' Report on Additional Information	29
Schedule of Functional Expenses	30
Schedules of Operating Expenses	31



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Vivian Beaumont Theater, Inc.
(d/b/a Lincoln Center Theater) and
The 2002 Lincoln Center Theater Supporting Foundation

We have audited the accompanying statement of financial position of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) (a not-for-profit corporation) (combined with The 2002 Lincoln Center Theater Supporting Foundation, a charitable trust) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements, and in our report dated October 26, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) (combined with The 2002 Lincoln Center Theater Supporting Foundation) as of June 30, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
October 24, 2011

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	<u>The Vivian Beaumont Theater, Inc.</u>					<u>The 2002 Lincoln Center Theater Supporting Foundation</u>	<u>Total 2011</u>	<u>Total 2010</u>
	<u>Operating</u>	<u>Unrestricted Board- Designated</u>	<u>Total</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>			
Assets								
Current Assets								
Cash and cash equivalents (Notes 1b and 4)	\$10,803,375	\$ -	\$10,803,375	\$ 577,431	\$ -	\$ -	\$ 11,380,806	\$ 18,266,144
Unconditional promises to give (Notes 1c and 6)	805,759	-	805,759	4,719,019	100,000	-	5,624,778	6,165,404
Accounts receivable	1,074,369	-	1,074,369	-	-	-	1,074,369	675,061
Prepaid production costs and other current assets (Note 1f)	3,170,748	-	3,170,748	-	-	-	3,170,748	437,555
Restricted certificates of deposit (Note 4)	490,904	-	490,904	-	-	-	490,904	618,661
Total Current Assets	<u>16,345,155</u>	<u>-</u>	<u>16,345,155</u>	<u>5,296,450</u>	<u>100,000</u>	<u>-</u>	<u>21,741,605</u>	<u>26,162,825</u>
Non-Current Assets								
Unconditional promises to give (Notes 1c and 6)	494,797	-	494,797	11,212,795	377,279	-	12,084,871	15,085,667
Beneficial interest in charitable trust (Note 7)	-	-	-	1,024,386	-	-	1,024,386	-
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 8)	9,081,869	-	9,081,869	-	-	-	9,081,869	9,612,465
Construction in progress (Note 10e)	24,953,787	-	24,953,787	-	-	-	24,953,787	7,752,470
Interfund receivable (payable) - construction in progress	(20,587,700)	-	(20,587,700)	20,587,700	-	-	-	-
Investments (Notes 1d, 1e, 3 and 5)	1,836,018	19,398,545	21,234,563	14,370,708	56,329,283	3,406,578	95,341,132	88,292,814
Total Assets	<u>\$32,123,926</u>	<u>\$19,398,545</u>	<u>\$51,522,471</u>	<u>\$52,492,039</u>	<u>\$56,806,562</u>	<u>\$ 3,406,578</u>	<u>\$164,227,650</u>	<u>\$146,906,241</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	The Vivian Beaumont Theater, Inc.				2002 Lincoln Center Theater Supporting Foundation	Total 2011	Total 2010
	Operating	Board- Designated	Total	Temporarily Restricted			
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	\$ 5,867,014	\$ -	\$ 5,867,014	\$ -	\$ -	\$ -	\$ 2,022,530
Accounts payable and accrued expenses - construction related	2,422,873	-	2,422,873	-	-	-	1,195,380
Advance box office sales (Note 1h)	7,659,995	-	7,659,995	-	-	-	1,432,124
Capital lease obligation	-	-	-	-	-	-	9,459
Deferred membership fees (Notes 1h and 9)	605,119	-	605,119	-	-	-	631,808
Total Current Liabilities	<u>16,555,001</u>	<u>-</u>	<u>16,555,001</u>	<u>-</u>	<u>-</u>	<u>16,555,001</u>	<u>5,291,301</u>
Non-Current Liabilities							
Loan - Supporting Foundation (Note 2d)	727,964	-	727,964	-	-	(727,964)	-
Total Liabilities	<u>17,282,965</u>	<u>-</u>	<u>17,282,965</u>	<u>-</u>	<u>-</u>	<u>(727,964)</u>	<u>5,291,301</u>
Commitments and Contingency (Notes 5, 10, 11 and 12)							
Net Assets							
Operating	5,759,092	-	5,759,092	-	-	-	14,773,945
Property and equipment	9,081,869	-	9,081,869	-	-	-	9,603,006
Operating reserve (Note 2a-1)	-	4,700,000	4,700,000	-	-	-	4,700,000
Quasi-endowment (Note 2a-2)	-	13,636,988	13,636,988	-	-	-	12,164,664
Temporarily restricted (Notes 2b and 2d)	-	-	-	38,121,331	-	4,134,542	35,928,519
Cash reserve (Note 2c-1)	-	-	-	-	941,307	-	941,307
Lila Acheson & DeWitt Wallace endowment (Note 2c-2)	-	-	-	12,747,758	45,324,387	-	51,747,752
Doris Duke Charitable Foundation endowment (Note 2c-3)	-	1,061,557	1,061,557	342,279	2,800,609	-	3,746,556
Other endowments (Note 2c-4)	-	-	-	1,280,671	7,740,259	-	8,009,191
Total Net Assets	<u>14,840,961</u>	<u>19,398,545</u>	<u>34,239,506</u>	<u>52,492,039</u>	<u>56,806,562</u>	<u>4,134,542</u>	<u>141,614,940</u>
Total Liabilities and Net Assets	<u>\$32,123,926</u>	<u>\$19,398,545</u>	<u>\$51,522,471</u>	<u>\$52,492,039</u>	<u>\$56,806,562</u>	<u>\$ 3,406,578</u>	<u>\$146,906,241</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	The Vivian Beaumont Theater, Inc.							The 2002 Lincoln Center Theater Supporting Foundation	Total 2011	Total 2010	
	Unrestricted					Temporarily Restricted	Permanently Restricted				
	Operating Regular Program	Extended Program	Property and Equipment	Operating Reserve	Quasi- Endowment						Total
Changes in Net Assets											
Revenues, Gains and Other Support											
Box office revenue (Note 14)	\$15,021,525	\$4,611,049	\$ -	\$ -	\$ -	\$19,632,574	\$ -	\$ -	\$ -	\$ 19,632,574	\$ 36,825,233
Membership fees (Note 9)	1,307,215	-	-	-	-	1,307,215	-	-	-	1,307,215	1,388,387
Theater rental fees and surcharges	13,400	-	-	-	-	13,400	-	-	-	13,400	39,100
Share of Lincoln Center garage revenue and city funding for public areas (Note 11)	378,291	-	-	-	-	378,291	-	-	-	378,291	344,782
Royalties	-	531,836	-	-	-	531,836	-	-	-	531,836	264,358
Recording income	-	1,666	-	-	-	1,666	-	-	-	1,666	3,485
Set and costume sales and rentals	17,049	196,640	-	-	-	213,689	-	-	-	213,689	2,062
Merchandise and concession income	115,392	22,265	-	-	-	137,657	-	-	-	137,657	236,930
Miscellaneous revenue	66,814	-	-	-	-	66,814	-	-	-	66,814	75,133
Total from Earned Revenue	<u>16,919,686</u>	<u>5,363,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,283,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,283,142</u>	<u>39,179,470</u>
Interest and dividends	85,865	-	-	68,397	190,606	344,868	925,067	-	132,924	1,402,859	1,497,419
Realized gain on investments, net of investment fees and expenses of \$877,470 (2011) and \$764,320 (2010)	11,970	-	-	59,741	166,485	238,196	804,821	-	79,787	1,122,804	29,858
Unrealized gain (loss) on investments	654,312	-	-	681,276	1,898,555	3,234,143	9,136,983	-	(26,521)	12,344,605	7,259,001
Income released by Board-approved spending allowance	3,623,453	-	-	-	(654,889)	2,968,564	(2,968,564)	-	-	-	-
Investment income designated for special purposes	38,178	-	146,895	-	-	185,073	(185,073)	-	-	-	-
Total from Investments	<u>4,413,778</u>	<u>-</u>	<u>146,895</u>	<u>809,414</u>	<u>1,600,757</u>	<u>6,970,844</u>	<u>7,713,234</u>	<u>-</u>	<u>186,190</u>	<u>14,870,268</u>	<u>8,786,278</u>
Contributions	7,826,721	60,000	34,718	-	-	7,921,439	8,727,267	175,000	-	16,823,706	30,819,483
Gross revenue from fundraising benefits (Note 13)	931,900	-	-	-	-	931,900	-	-	-	931,900	793,443
Less: Direct costs of fundraising benefits (Note 13)	(119,006)	-	-	-	-	(119,006)	-	-	-	(119,006)	(54,937)
Net assets released from restriction - satisfaction of time and program restrictions	2,598,652	-	-	-	-	2,598,652	(2,598,652)	-	-	-	-
Total from Public Support	<u>11,238,267</u>	<u>60,000</u>	<u>34,718</u>	<u>-</u>	<u>-</u>	<u>11,332,985</u>	<u>6,128,615</u>	<u>175,000</u>	<u>-</u>	<u>17,636,600</u>	<u>31,557,989</u>
Total Revenues, Gains and Other Support	32,571,731	5,423,456	181,613	809,414	1,600,757	40,586,971	13,841,849	175,000	186,190	54,790,010	79,523,737
Revenue designated by Board for property and equipment	(149,875)	-	149,875	-	-	-	-	-	-	-	-
Reclassification based on change in state endowment law (Notes 2a-2, 2b and 3)	-	-	-	-	(6,436,188)	(6,436,188)	6,436,188	-	-	-	-
Reclassification of investment income not subject to spending allowance	809,414	-	-	(809,414)	-	-	-	-	-	-	-
Total Revenues, Gains and Other Support (carried forward)	<u>33,231,270</u>	<u>5,423,456</u>	<u>331,488</u>	<u>-</u>	<u>(4,835,431)</u>	<u>34,150,783</u>	<u>20,278,037</u>	<u>175,000</u>	<u>186,190</u>	<u>54,790,010</u>	<u>79,523,737</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	The Vivian Beaumont Theater, Inc.							The 2002 Lincoln Center Theater Supporting Foundation	Total 2011	Total 2010	
	Unrestricted					Temporarily Restricted	Permanently Restricted				
	Operating Regular Program	Extended Program	Property and Equipment	Operating Reserve	Quasi- Endowment						Total
Changes in Net Assets (continued)											
Total Revenue, Gains and Other Support (brought forward)	\$33,231,270	\$5,423,456	\$ 331,488	\$ -	\$(4,835,431)	\$34,150,783	\$20,278,037	\$ 175,000	\$ 186,190	\$ 54,790,010	\$ 79,523,737
Expenses											
Program Services											
Theatrical production and operations (Note 14)	30,148,991	4,568,071	-	-	-	34,717,062	-	-	-	34,717,062	39,974,232
Special artistic projects	743,258	-	-	-	-	743,258	-	-	-	743,258	925,466
Artistic management	1,692,402	-	-	-	-	1,692,402	-	-	-	1,692,402	1,657,362
Marketing, membership and outreach	1,248,735	-	-	-	-	1,248,735	-	-	-	1,248,735	1,165,966
Theater building operation	4,130,024	-	750,931 *	-	-	4,880,955	-	-	-	4,880,955	4,804,388
Grants by Supporting Foundation (Note 2d)	-	-	-	-	-	-	-	-	208,692	208,692	150,603
Total Program Services	<u>37,963,410</u>	<u>4,568,071</u>	<u>750,931</u>	<u>-</u>	<u>-</u>	<u>43,282,412</u>	<u>-</u>	<u>-</u>	<u>208,692</u>	<u>43,491,104</u>	<u>48,678,017</u>
Supporting Services											
Management and general	3,259,913	-	101,694 *	-	-	3,361,607	-	-	1,405	3,363,012	3,496,993
Fundraising	1,878,185	-	-	-	-	1,878,185	-	-	-	1,878,185	1,492,251
Total Supporting Services	<u>5,138,098</u>	<u>-</u>	<u>101,694</u>	<u>-</u>	<u>-</u>	<u>5,239,792</u>	<u>-</u>	<u>-</u>	<u>1,405</u>	<u>5,241,197</u>	<u>4,989,244</u>
Total Expenses	<u>43,101,508</u>	<u>4,568,071</u>	<u>852,625 *</u>	<u>-</u>	<u>-</u>	<u>48,522,204</u>	<u>-</u>	<u>-</u>	<u>210,097</u>	<u>48,732,301</u>	<u>53,667,261</u>
Increase (Decrease) in Net Assets	<u>(9,870,238)</u>	<u>855,385</u>	<u>(521,137)</u>	<u>-</u>	<u>(4,835,431)</u>	<u>(14,371,421)</u>	<u>20,278,037</u>	<u>175,000</u>	<u>(23,907)</u>	<u>6,057,709</u>	<u>25,856,476</u>
Net increase (decrease) from operations of regular and extended programs combined	(9,014,853)										
Net assets, beginning of year	<u>14,773,945</u>		<u>9,603,006</u>	<u>4,700,000</u>	<u>19,533,976</u>	<u>48,610,927</u>	<u>32,214,002</u>	<u>56,631,562</u>	<u>4,158,449</u>	<u>141,614,940</u>	<u>115,758,464</u>
Net Assets, End of Year	<u><u>\$5,759,092</u></u>		<u><u>\$9,081,869</u></u>	<u><u>\$4,700,000</u></u>	<u><u>\$14,698,545</u></u>	<u><u>\$34,239,506</u></u>	<u><u>\$52,492,039</u></u>	<u><u>\$56,806,562</u></u>	<u><u>\$ 4,134,542</u></u>	<u><u>\$147,672,649</u></u>	<u><u>\$141,614,940</u></u>

* Depreciation expense

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 6,057,709	\$25,856,476
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Additions to permanently restricted net assets	(175,000)	(979,933)
Depreciation	852,625	788,777
Realized and unrealized gains on investments	(14,344,879)	(8,053,179)
Donated securities	(430,893)	(1,442,856)
(Increase) decrease in:		
Unconditional promises to give	1,492,649	(16,125,033)
Accounts receivable	(399,308)	328,456
Prepaid production costs and other current assets	(2,733,193)	32,632
Beneficial interest in charitable trust	1,024,386	-
Increase (decrease) in:		
Accounts payable and accrued expenses	3,844,484	(1,349,085)
Advance box office sales	6,227,871	(1,444,435)
Deferred membership fees	(26,689)	(51,413)
Net Cash Provided (Used) By Operating Activities	<u>1,389,762</u>	<u>(2,439,593)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(271,220)	(150,830)
Construction in progress expenditures	(16,024,633)	(2,446,688)
Sale of investments	20,422,948	17,618,045
Purchase of investments	(12,695,493)	(10,662,123)
Purchase of restricted certificate of deposits	(158,264)	(96,094)
Sale of restricted certificate of deposit	286,021	-
Net Cash Provided (Used) By Investing Activities	<u>(8,440,641)</u>	<u>4,262,310</u>
Cash Flows From Financing Activities		
Additions to permanently restricted net assets	175,000	653,267
Payment of capital lease obligation	(9,459)	(11,072)
Borrowings under line of credit	5,000,000	-
Repayment of line of credit borrowings	(5,000,000)	-
Net Cash Provided By Financing Activities	<u>165,541</u>	<u>642,195</u>
Net increase (decrease) in cash and cash equivalents	(6,885,338)	2,464,912
Cash and cash equivalents, beginning of year	<u>18,266,144</u>	<u>15,801,232</u>
Cash and Cash Equivalents, End of Year	<u>\$11,380,806</u>	<u>\$18,266,144</u>
Supplemental Disclosure		
Interest paid	<u>\$ 36,011</u>	<u>\$ 420</u>

See notes to financial statements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Theater's primary exempt purpose is to promote the study, appreciation and advancement of theater and the performing arts among the general public.

The Theater's operations are divided into regular and extended programs. This division is made to make comparisons of annual operations more informative, since the activity of the extended program varies from year to year. The regular program consists of the activities for which the Theater seeks annual public support. The extended program consists of the operation of productions beyond their originally scheduled run of performances and the transfer of productions to other media.

1 - Regular Program

The 2011 regular program consisted of a season of productions at the Vivian Beaumont and Mitzi E. Newhouse Theaters at Lincoln Center (*A Free Man of Color*, *Other Desert Cities*, *A Minister's Wife*, and *War Horse*), as well as a production on Broadway (*Women on the Verge of a Nervous Breakdown*) and three productions of the LCT3 program at The Duke on 42nd Street (*The Coward*, *When I Come to Die*, and *4000 Miles*). The 2010 regular program consisted of *Broke-ology*, *When the Rain Stops Falling*, *The Grand Manner*, *In the Next Room*, *What Once We Felt*, *Graceland*, and *On the Levee*.

The Theater also sponsored various special artistic projects such as the Playwrights Program, the Directors Lab, and the *Lincoln Center Theater Review*.

2 - Extended Program

The 2011 extended program consisted of the final seven weeks of the extended run of *South Pacific* and the first week of the continuing extended run of *War Horse* (both at the Vivian Beaumont Theater at Lincoln Center). The 2010 extended program consisted of a full year of the extended run of *South Pacific*, as well as a two-week extended run of *Stunning* at The Duke on 42nd Street.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Theater considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

c - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Theater, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of property, plant and equipment without donor stipulation concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as temporarily restricted; the restrictions are considered to be released at the time such long-lived assets are placed into service.

The Theater uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

d - Investments

The Theater reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income that is restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the investment income is recognized.

e - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). These standards also provide for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

e - Fair Value Measurements (continued)

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Theater. Unobservable inputs reflect the assumptions developed by the Theater based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

Investments in some fixed income mutual funds are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

Investments in one fixed income mutual fund, one equity mutual fund and one investment company are classified within Level 2 of the fair value hierarchy. Fair value is determined by the general partners or management of the companies, based on quoted prices for similar assets. Redemption of investments in limited partnerships and investment companies is subject to certain withdrawal restrictions, which permit withdrawal only on specified dates during each calendar year.

Investments are classified within Level 3 of the fair value hierarchy because they trade infrequently (or not at all) and therefore have little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Certain limited partnerships and investment companies, and the Theater's beneficial interest in a charitable trust, are classified within Level 3 of the fair value hierarchy.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments are generally based on available market information. In the absence of such evidence, management's best estimate is used.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

e - Fair Value Measurements (continued)

The values assigned to investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized, and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

f - Production Costs

Theatrical production costs (net of designated contributions) are amortized using the straight-line method over the estimated remaining run of the production.

g - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the useful life of the related asset.

The original value of the building occupied by the Theater is not included on the Statement of Financial Position since it would be fully depreciated. All improvements made by the Theater have been capitalized and are being amortized over the lesser of the useful life of the assets or the remaining lease term (including extensions).

h - Revenue Recognition

Box office revenue from theatrical productions is recognized as income when earned, that is, on the date of the performance. Advance box office sales represents unearned income from ticket sales and will be recognized as revenue when the future performance occurs. Membership fee revenue is deferred when received and recognized over the term of the membership.

i - Financial Statement Presentation

The Theater is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

j - Estimates

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

k - Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs. Advertising expense for 2011 and 2010 was \$4,291,126 and \$6,324,437, respectively.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

l - Tax Status

The Vivian Beaumont Theater, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements.

m - Principles of Combination

The accompanying financial statements reflect the combination of the individual financial statements of The Vivian Beaumont Theater, Inc. and The 2002 Lincoln Center Theater Supporting Foundation because the entities have common directors and trustees (see Note 2d).

n - Subsequent Events

The Theater has evaluated subsequent events through October 24, 2011, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Assets

a - Board-Designated Net Assets

1 - Board-Designated Operating Reserve

The operating reserve was established to meet contingencies (such as funding reductions or emergency expenses) and as a reserve for future projects. Transfers of unrestricted funds to the operating reserve may be made by vote of the Board of Directors. All investment income and gains from the operating reserve may be used for current operations and any investment loss must be replaced from unrestricted funds. All or part of the principal may be expended by vote of the Board of Directors.

2 - Board-Designated Quasi-Endowment

Transfers of unrestricted funds to the quasi-endowment may be made by vote of the Board of Directors. The principal may be borrowed for operations but must be repaid within two years. No amounts were borrowed during the fiscal years ended June 30, 2011 and 2010. Investment income (or loss) from the quasi-endowment is appropriated to operations according to the spending policy applicable to endowment funds.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 2 - Restrictions on Assets (continued)

b - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
Future operations	\$ 5,773,502	\$ 4,893,024
Capital expenditures	31,840,314	27,406,601
Accumulated endowment income and gains not yet appropriated for expenditure	13,894,718	143,136
Term endowment (Note 3)	475,990	443,932
Beneficial interest in charitable trust (Note 7)	<u>1,532,000</u>	<u>-</u>
	53,516,524	32,886,693
Less: Discount to present value	<u>(1,024,485)</u>	<u>(672,691)</u>
	<u>\$52,492,039</u>	<u>\$32,214,002</u>

Temporarily restricted net assets restricted to capital expenditures are related to construction in progress and will be released from restriction when the project is completed and the assets are placed into service.

Temporarily restricted net assets which are receivable and due after one year are discounted to net present value using discount rates of 0.5% to 5% per annum.

For the year ended June 30, 2011, as a result of a change in state law related to endowment funds (Note 3), \$6,436,188 previously classified as board-designated unrestricted funds was required to be reclassified to temporarily restricted net assets.

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of the following as of June 30:

1 - Cash Reserve

The permanently restricted cash reserve contains the National Endowment for the Arts Challenge grant (and matching funds) designated for institutional stabilization. The principal may be borrowed for operations but must be repaid within two years. No amounts were borrowed during the fiscal years ended June 30, 2011 and 2010. Investment income (or loss) from the cash reserve is appropriated to operations according to the general spending policy for endowment funds.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 2 - Restrictions on Assets (continued)

c - Permanently Restricted Net Assets (continued)

2 - Lila Acheson & DeWitt Wallace Endowment

The Wallace endowment was established under an agreement dated April 30, 2001 between the Theater (and other charities) and the Lila Acheson & DeWitt Wallace Fund for Lincoln Center (the Wallace Fund). The Wallace Fund was established in 1982 as a supporting organization for the benefit of several performing arts charities at Lincoln Center, and the Theater had received annual support from the income of the Fund. Under the endowment agreement of April 30, 2001, the Wallace Fund was dissolved, and its assets were to be transferred to the beneficiary organizations. The Theater's share (18.75%) of the assets of the Wallace Fund consisted of common stock of the Reader's Digest Association valued at \$16,929,100 when received on July 11, 2001 and the \$39,652,500 cash proceeds of other assets received on August 13, 2001. The original fair market value of the Wallace endowment was recorded as \$56,581,600 and reflected in these financial statements as an unconditional promise to give as of June 30, 2001. Additional distributions of \$73,883 were received and added to the original fair market value of the Wallace endowment.

The Wallace endowment may be expended in accordance with the spending policy in effect for the Theater's other endowment funds, even if this spending policy reduces the value of the Wallace endowment below its original fair market value. The "annual contribution" derived from the application of the spending policy to the Wallace endowment must be used to support new works, new or touring productions, or educational and outreach programs.

In addition to the annual contribution, a "special contribution" of up to 20% of the current fair value of the Wallace endowment may be expended if two-thirds of the Theater's Board of Directors determines that an extraordinary need exists and the special contribution is matched two to one. The special contribution may not reduce the value of the Wallace endowment below 80% of its original fair market value. For this reason, \$45,324,387 of the Wallace endowment (80% of the original fair market value) is classified in these financial statements as permanently restricted, while the remainder is classified as temporarily restricted. Prior to a change in state law related to endowment funds (Note 3), in the fiscal year ended June 30, 2011, the remainder was classified as board-designated unrestricted funds.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 2 - Restrictions on Assets (continued)

c - Permanently Restricted Net Assets (continued)

3 - Doris Duke Charitable Foundation Endowment

The Duke endowment was established by a grant agreement between the Doris Duke Charitable Foundation and the Theater, in which the Duke Foundation made an endowment challenge grant of \$500,000 that was matched on a one-to-one cash basis by endowment funds raised or designated by the Theater.

The Duke grant and the matching funds established a permanent endowment restricted to artistic programming. After the match was met and the Duke grant was fully received, the earnings on the Duke endowment were allowed to be expended in accordance with the spending policy in effect for the Theater's other endowment funds (in no case greater than 6%), with expenditures solely for the Theater's artistic programming expenses.

4 - Other Endowments

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

d - The 2002 Lincoln Center Theater Supporting Foundation

The 2002 Lincoln Center Theater Supporting Foundation (LCTSFS) was established by a trust agreement dated October 30, 2002 between The Peter Jay Sharp Foundation and three trustees, two representing The Vivian Beaumont Theater, Inc. (Lincoln Center Theater) as members of the Theater's Board of Directors, and the third representing the Sharp Foundation. The trust is organized exclusively for the benefit of Lincoln Center Theater. Its specific purpose is to provide an ongoing source of below-market or interest-free financing to the Theater for the presentation of qualifying theatrical works (as defined in the trust agreement). At any time after the assets of LCTSFS exceed \$2,400,000, the trustees may extend a loan to the Theater for this purpose, in such amount and upon such terms as the trustees determine, provided, however, that the term of any such loan shall not exceed seven years, and no such loan may reduce the value of the assets held by LCTSFS below \$1,500,000. In the event of the termination of LCTSFS, its entire net assets shall be distributed to the Theater (if it is then a qualified charitable organization), to be held as a segregated fund and used to finance theatrical works.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 2 - Restrictions on Assets (continued)

d - The 2002 Lincoln Center Theater Supporting Foundation (continued)

Each year, the trustees of LCTSF shall forgive such portion of any outstanding loan to the Theater equal to the net investment income (interest, dividends, and net realized capital gains) of LCTSF in the preceding calendar year.

The Peter Jay Sharp Foundation made a grant of \$4,000,000 to LCTSF, of which the entire amount was received as of June 30, 2006.

An interest-free, seven-year loan in the amount of \$1,500,000 was extended by LCTSF to the Theater in October 2006 to finance the production of *The Coast of Utopia*. For the year ended June 30, 2011, \$208,692 of this loan was forgiven against the net investment income of LCTSF during calendar year 2010. Through June 30, 2011, \$772,036 of this loan has been forgiven, leaving an outstanding balance of \$727,964.

Note 3 - Endowment Funds

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

Consistent with the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), the Theater classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Theater. Prior to the enactment of NYPMIFA, this portion of a donor-restricted endowment not yet appropriated for expenditure was classified as board-designated unrestricted funds (Note 2b-2).

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 3 - Endowment Funds (continued)

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

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

The Theater's endowment funds are summarized by type of fund and net asset classification as follows, with fair value of cash and investments as of June 30, 2011 and 2010:

	2011			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$14,370,708	\$56,329,283	\$70,699,991
Board-designated endowment funds	<u>14,698,545</u>	<u>-</u>	<u>-</u>	<u>14,698,545</u>
Total Endowment Funds	<u>\$14,698,545</u>	<u>\$14,370,708</u>	<u>\$56,329,283</u>	<u>\$85,398,536</u>

	2010			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$443,932	\$56,154,283	\$56,598,215
Board-designated endowment funds	<u>19,533,976</u>	<u>-</u>	<u>-</u>	<u>19,533,976</u>
Total Endowment Funds	<u>\$19,533,976</u>	<u>\$443,932</u>	<u>\$56,154,283</u>	<u>\$76,132,191</u>

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 3 - Endowment Funds (continued)

Changes in the fair value of the cash and investments of the Theater's endowment funds for the years ended June 30, 2011 and 2010 are summarized as follows:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	<u>\$19,533,976</u>	<u>\$ 443,932</u>	<u>\$56,154,283</u>	<u>\$76,132,191</u>
Investment Return:				
Interest and dividends	190,606	925,067	-	1,115,673
Realized capital gains, net of investment fees	166,485	804,821	-	971,306
Unrealized appreciation	<u>1,898,555</u>	<u>9,136,983</u>	-	<u>11,035,538</u>
Total Investment Return	<u>2,255,646</u>	<u>10,866,871</u>	-	<u>13,122,517</u>
Contributions received	-	-	175,000	175,000
Appropriation of endowment assets for expenditure	<u>(654,889)</u>	<u>(3,376,283)</u>	-	<u>(4,031,172)</u>
Reclassification based on change in state law	<u>(6,436,188)</u>	<u>6,436,188</u>	-	-
Endowment Funds, End of Year	<u>\$14,698,545</u>	<u>\$14,370,708</u>	<u>\$56,329,283</u>	<u>\$85,398,536</u>
	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	<u>\$15,989,263</u>	<u>\$443,646</u>	<u>\$55,251,016</u>	<u>\$71,683,925</u>
Investment Return:				
Interest and dividends	1,147,983	7,106	-	1,155,089
Realized capital gains, net of investment fees	95,193	589	-	95,782
Unrealized appreciation	<u>5,970,659</u>	<u>36,955</u>	-	<u>6,007,614</u>
Total Investment Return	<u>7,213,835</u>	<u>44,650</u>	-	<u>7,258,485</u>
Contributions received	-	-	903,267	903,267
Appropriation of endowment assets for expenditure	<u>(3,669,122)</u>	<u>(44,364)</u>	-	<u>(3,713,486)</u>
Endowment Funds, End of Year	<u>\$19,533,976</u>	<u>\$443,932</u>	<u>\$56,154,283</u>	<u>\$76,132,191</u>

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 3 - Endowment Funds (continued)

The Theater has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. The overall investment objective for the entire endowment portfolio is to maintain an average long-term total return, net of management fees, of at least 5% per year in excess of inflation (as measured by the Consumer Price Index). Actual returns in any given year may vary from this amount.

Under the Theater's investment policy, assets of all endowment funds (except those required by the donor to be invested in a separate account) are pooled together and divided, in a diversified and balanced portfolio, according to asset allocation guidelines defined and monitored by the Investment Committee of the Board of Directors, among various investment managers selected by the Investment Committee, each manager specializing in a particular asset class (such as equities, fixed income, or alternative investments). The objective of each investment manager is to maximize total return (without regard for current income or realized gains), with a level of risk appropriate to the respective asset class, and with the manager's performance evaluated against a benchmark index appropriate for each class (such as the Standard and Poors 500 for U.S. equities).

The Theater has a general spending policy, applicable to most of its endowment funds through the fiscal year ending June 30, 2011, of appropriating for distribution each year 5 percent of the fair value of endowment funds at the end of the preceding fiscal year. In establishing this policy, the Theater considered the long-term expected return on its endowment. Accordingly, over the long term, the Theater expects the current spending policy to allow its endowment assets to maintain their purchasing power. However, by explicit consent of the donors of the most substantial portions of the Theater's endowment (the Wallace endowment and the Duke endowment), these endowments may be expended according to this spending policy even if such expenditure (in combination with short-term investment loss) reduces the value of these assets below the value of the original endowment gifts.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 3 - Endowment Funds (continued)

Endowments established for special purposes are subject to spending policies that follow the Theater's general spending allowance (or a variation of it), or in some cases they require that total income and appreciated value (if any) in the current year be expended for the special purpose. In one case, the donor has specified an annual spending allowance (10%) that so far exceeds average annual investment return that it is apparent that the donor does not expect the value of the original gift to be maintained in perpetuity. This term endowment has therefore been classified as temporarily restricted rather than permanently restricted.

Note 4 - Restricted Certificates of Deposit and Concentration of Credit Risk

Restricted certificates of deposit (\$490,904 at June 30, 2011) are pledged as collateral for a salary bond under a security agreement with Actors' Equity Association. This amount was \$618,661 at June 30, 2010.

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

	<u>2011</u>	<u>2010</u>
Bank accounts	\$ 8,358,023	\$ 9,819,313
Money market funds	<u>3,022,783</u>	<u>8,446,831</u>
	<u>\$11,380,806</u>	<u>\$18,266,144</u>

Interest-bearing bank accounts and certificates of deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each financial institution. Non-interest bearing bank accounts are insured by the FDIC without limit. At June 30, 2011, the Theater maintains balances in excess of insured limits. However, the Theatre monitors its concentration of credit risk on a regular basis.

Money market funds are not insured by the FDIC and only insured by the Securities Investor Protection Corporation (SIPC).

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 5 - Investments

Investments are reflected at fair value at June 30 and are summarized as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Fair Value</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Cost Basis</u>
<u>The Vivian Beaumont Theater, Inc.</u>				
Marketable Securities:				
Equity mutual funds	\$17,369,672	\$14,756,353	\$14,393,867	\$14,631,997
Fixed income mutual funds	10,246,055	10,352,305	10,643,485	10,670,493
Corporate securities	108,150	102,146	-	-
Mortgage and asset backed securities	25,228	25,897	-	-
Other Investments:				
Investments in limited partnerships and investment companies	<u>64,185,449</u>	<u>50,906,049</u>	<u>60,033,669</u>	<u>56,347,855</u>
	91,934,554	76,142,750	85,071,021	81,650,345
<u>The 2002 Lincoln Center Theater Supporting Foundation</u>				
Fixed income mutual funds	<u>3,406,578</u>	<u>3,345,582</u>	<u>3,221,793</u>	<u>3,134,275</u>
Total	<u>\$95,341,132</u>	<u>\$79,488,332</u>	<u>\$88,292,814</u>	<u>\$84,784,620</u>

The following summarizes the Theater's investments by the levels within the fair value hierarchy used to measure their respective fair values at June 30, 2011 and 2010 (Note 1e):

	<u>2011</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds	\$17,369,672	\$ 52,972	\$11,871,331	\$5,445,369
Fixed income mutual funds	13,652,633	13,652,633	-	-
Corporate securities	108,150	108,150	-	-
Mortgage and asset backed securities	25,228	25,228	-	-
Investments in limited partnerships and investment companies	<u>64,185,449</u>	-	<u>23,484,994</u>	<u>40,700,455</u>
	<u>\$95,341,132</u>	<u>\$13,838,983</u>	<u>\$35,356,325</u>	<u>\$46,145,824</u>
	<u>2010</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity mutual funds	\$14,393,867	\$ 10,004	\$ 9,193,398	\$5,190,465
Fixed income mutual funds	13,865,278	13,478,824	386,454	-
Investments in limited partnerships and investment companies	<u>60,033,669</u>	-	<u>21,257,327</u>	<u>38,776,342</u>
	<u>\$88,292,814</u>	<u>\$13,488,828</u>	<u>\$30,837,179</u>	<u>\$43,966,807</u>

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with the 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 5 - Investments (continued)

The following summarizes changes in fair value of the Theater's Level 3 assets for the years ended June 30, 2011 and 2010. The information reflects gains and losses for the full year for assets categorized as Level 3 as of June 30, 2011 and 2010, and does not include gains or losses for assets that were transferred out of Level 3 prior to the end of year.

	<u>2011</u>	<u>2010</u>
Balance - beginning of year	\$43,966,807	\$30,991,595
Realized gains (losses)	1,765,396	(167,225)
Unrealized gains	3,452,119	3,441,261
Purchases	13,177,618	10,143,488
Redemptions	<u>(16,216,116)</u>	<u>(442,312)</u>
Balance - End of Year	<u>\$46,145,824</u>	<u>\$43,966,807</u>

The Theater invests in limited partnerships and investment companies. At June 30, 2011, the Theater's approximate share of these partnerships and investment companies ranges from 0.138% to 1.6% of their total capital. The operating activities of some of these limited partnerships and investment companies may involve trading, directly or indirectly, in derivative financial investments that involve varying degrees of market and credit risk. A portion of these investments may be withdrawn on specified dates with advance notice. As of June 30, 2011, \$46,607,731 of these investments may be withdrawn upon 90-day notice. The Theater has a commitment to invest up to \$13,500,000 in private equity limited partnerships of which the Theater's share is not marketable or redeemable. Of this commitment, the total invested through June 30, 2011 was \$7,673,272, and the remaining commitment was \$5,826,728.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 6 - Unconditional Promises to Give

Unconditional promises to give are due as follows as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year Ending June 30,</u>				
2012	\$ 805,759	\$ 4,719,019	\$100,000	\$ 5,624,778
2013	120,000	3,666,333	100,000	3,886,333
2014	120,000	5,913,334	100,000	6,133,334
2015	120,000	650,000	100,000	870,000
2016	120,000	250,000	97,346	467,346
Thereafter, through the year ending June 30, 2021	<u>120,000</u>	<u>1,250,000</u>	<u>-</u>	<u>1,370,000</u>
	1,405,759	16,448,686	497,346	18,351,791
Less: Discount to present value	<u>(105,203)</u>	<u>(516,872)</u>	<u>(20,067)</u>	<u>(642,142)</u>
	<u>\$1,300,556</u>	<u>\$15,931,814</u>	<u>\$477,279</u>	<u>\$17,709,649</u>

Uncollectible promises to give are expected to be insignificant. Unconditional promises to give which are due after one year are discounted to net present value using discount rates of 0.5% to 5% per annum.

Note 7 - Beneficial Interest in Charitable Trust

During the year ended June 30, 2011, a donor established a charitable trust at a financial institution, naming the Theater as the beneficiary. Under the terms of the trust, the Theater is to receive annual distributions of \$6,000. Upon the death of the donor, the Theater will receive a distribution of \$1,460,000. Based on donor and beneficiary life expectancy and the use of a 3.5% long-term discount rate, the present value of future benefits expected to be received was recognized as a temporarily restricted contribution. At June 30, 2011, the present value of the interest in the charitable trust was \$1,024,386.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Life</u>	<u>2011</u>	<u>2010</u>
Leasehold improvements	10-25 years	\$24,281,272	\$24,140,878
Furniture, fixtures and equipment	5-15 years	<u>3,392,551</u>	<u>3,210,916</u>
		27,673,823	27,351,794
Less: Accumulated depreciation		<u>(18,591,954)</u>	<u>(17,739,329)</u>
		<u>\$ 9,081,869</u>	<u>\$ 9,612,465</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$852,625 and \$788,777, respectively.

Note 9 - Deferred Membership Fees

Under the Theater's membership program, the payment of an annual membership fee at any time entitles a member to purchase a discounted ticket to each of the Theater's productions during the next twelve months. Accordingly, membership revenue is amortized monthly over the year following the receipt of the membership fee. During the year ended June 30, 2011, \$1,307,215 in membership fees were recognized as income. At June 30, 2011, \$605,119 in unamortized fees remained deferred. These amounts were \$1,388,387 and \$631,808, respectively, in 2010.

Note 10 - Commitments and Contingency

a - Certain management compensation is guaranteed by contract. As of June 30, 2011, the following remains to be paid:

<u>Year Ending June 30,</u>	
2012	\$1,282,000
2013	1,282,000
2014	574,000

b - As of June 30, 2011, approximately 76% of total employee compensation was paid under collective bargaining agreements.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 10 - Commitments and Contingency (continued)

- c - The City of New York contributed \$2,551,400 in support of building renovations in the year ended June 30, 2004. In accepting the funds from the City, the Theater has agreed to a covenant guaranteeing the continued use of the facility as a not-for-profit cultural institution through December 31, 2019.
- d - Government supported programs are subject to audit by the granting agency.
- e - The Theater is committed to the design and construction of a third theater, for the presentation of works by young and emerging artists, to be situated, along with offices, rehearsal and dressing rooms, and other support spaces, in a new addition on the rooftop of its building at Lincoln Center. The total cost of this "LCT3 Rooftop Theater" addition (expected to be completed in March 2012) is estimated at \$41,000,000, including financing expense. Lincoln Center for the Performing Arts, Inc., has agreed to provide up to \$15,000,000, on a matching basis, in support of this project, and a lead donor has agreed to provide up to \$7,500,000, on a matching basis, as a naming gift for this project. As of June 30, 2011, the \$7,500,000 from the lead donor had been matched and, accordingly, has been reflected in these financial statements. At June 30, 2011, \$9,254,877 has been matched by and received from Lincoln Center for the Performing Arts, Inc. against cash payments in that total amount received from other donors. The balance of the total \$15,000,000 committed to this project by Lincoln Center is conditional upon receiving matching funds.
- f - By promissory notes amended and executed as of December 16, 2010, the Theater has secured a bank loan, approved by the Board of Directors, in the total amount of \$16,000,000, to be used as financing for the construction expenditures of the LCT3 Rooftop Theater (see Note 10e). This loan consists of a revolving line of credit of \$9,000,000 and a non-revolving line of credit of \$7,000,000, both secured by unrestricted marketable securities in an amount up to \$10,000,000 and a collateral assignment (with the acknowledgement and consent of the donors) of certain unconditional promises to give restricted for the LCT3 Rooftop Theater project. Both the revolving and non-revolving loans bear interest at the variable interest rate of the London Interbank Offered Rate (LIBOR) plus 1.75% per annum, or the prime rate of the bank, at the option of the borrower. The loans specify certain covenants, including the maintenance of minimum amounts of liquid assets and operating cash flows, to assure the lender of the borrower's financial stability and the coverage of interest payments when due. Although amounts were borrowed against the revolving line of credit during the year, as of June 30, 2011, there was no outstanding balance. Interest expense for the year ended June 30, 2011 was \$35,893, which was capitalized as a cost of construction in progress.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 11 - Lincoln Center for the Performing Arts, Inc.

The Theater leases the Lincoln Center Theater building (containing the Vivian Beaumont and Mitzi E. Newhouse Theaters, as well as offices, rehearsal and dressing rooms, and other support spaces) from Lincoln Center for the Performing Arts, Inc. (Lincoln Center) under a twenty-five year agreement dated as of January 1, 2008, with an option to extend the lease for an additional twenty-four year term. This lease is a renewal, with revisions, of the original lease dated as of July 1, 1980. No lease payments are required; however, the Theater is responsible for maintenance and operation of the building and its share of the cost of maintaining and operating the common facilities of Lincoln Center (in lieu of rent). Common facilities costs amounted to \$649,719 (2011) and \$716,490 (2010).

The Theater also shares in Lincoln Center's Corporate Fund (\$202,998 in 2011) and receives a portion of underground garage revenue (\$326,206) and New York City funding (\$52,086) in exchange for its sharing in the maintenance of the Lincoln Center public areas. These amounts were \$193,189, \$291,461 and \$53,321, respectively, in 2010.

One member of the Board of Directors of the Theater is also a director of Lincoln Center for the Performing Arts, Inc.

Note 12 - Pension Plan

The Theater participates in a defined-benefit pension plan with Lincoln Center and other organizations affiliated with Lincoln Center, which covers its full-time non-union administrative staff. The Theater made contributions of \$167,100 and \$140,685 to fund pension obligations in the years ended June 30, 2011 and 2010, respectively.

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 13 - Fundraising Benefits

During each of the years ended June 30, 2011 and 2010, the Theater held fundraising benefits. The following reflects the activity from these events:

	<u>2011</u>	<u>2010</u>
Gross revenue	\$931,900	\$813,443
Less: Direct costs	(119,006)	(54,937)
Indirect costs	<u>(68,293)</u>	<u>(41,973)</u>
Net	<u>\$744,601</u>	<u>\$716,533</u>

Direct costs of fundraising benefits reflect the estimated fair value of services (such as food and entertainment) which the donor received. Indirect costs are other costs of the benefit in addition to the fair value of services received by the donor.

Note 14 - Co-Production Activities

In connection with some of its theatrical productions during the year ended June 30, 2011, the Theater entered into co-production agreements with third parties. The Theater has included its pro rata share of the revenues and expenses related to these productions in the accompanying statement of activities, summarized as follows:

	<u>Total Amounts</u>	<u>Theater Share Included in Statement of Activities</u>
Box office revenue	\$16,892,851	\$10,141,633
Theatrical production and operating expenses	28,249,057	16,834,365

THE VIVIAN BEAUMONT THEATER, INC.
(d/b/a Lincoln Center Theater)
(combined with The 2002 Lincoln Center Theater Supporting Foundation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 15 - Functional Allocation of Expenses

The cost of providing the various program and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 16 - Fair Value of Financial Instruments

The provisions of Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, require disclosure of the fair value of financial instruments for which it is practicable to estimate at fair value. The fair value of investments has been presented in Note 5, and the fair value of the Theater's beneficial interest in a charitable trust is described in Note 7. The carrying amount of all other financial instruments approximates fair value because of their short maturity.

ADDITIONAL INFORMATION



LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors of
The Vivian Beaumont Theater, Inc.
(d/b/a Lincoln Center Theater)

Our report on our audit of the basic financial statements of The Vivian Beaumont Theater, Inc. (d/b/a Lincoln Center Theater) for 2011 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2011 with comparative totals for 2010 and the Schedules of Operating Expenses (excluding Theatrical Production and Operations and Special Artistic Projects) for the years ended June 30, 2011 and 2010 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
October 24, 2011

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

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Program Services						Supporting Services			2011	2010	
	Theatrical Production and Operations		Special Artistic Projects	Artistic Management	Marketing, Membership and Outreach	Theater Building Operation	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
	Regular Program	Extended Program										
Salaries	\$ 6,515,642	\$ 2,545,654	\$147,082	\$ 1,344,243	\$ 395,146	\$ 342,591	\$11,290,358	\$ 1,993,379	\$ 779,676	\$2,773,055	\$14,063,413	\$23,182,126
Employee benefits and payroll taxes	3,018,473	806,059	70,682	348,159	103,150	121,545	4,468,068	404,559	200,583	605,142	5,073,210	7,023,728
Total Salaries, Employee Benefits and Payroll Taxes	9,534,115	3,351,713	217,764	1,692,402	498,296	464,136	15,758,426	2,397,938	980,259	3,378,197	19,136,623	30,205,854
Physical production (scenery, costumes, etc.)	4,503,750	-	2,387	-	-	-	4,506,137	-	-	-	4,506,137	1,380,238
Production take-in and take-out	4,508,643	177,276	-	-	-	-	4,685,919	-	-	-	4,685,919	1,543,551
Artists' fees	926,235	-	94,800	-	-	-	1,021,035	-	-	-	1,021,035	602,230
Royalties	823,970	163,650	-	-	-	-	987,620	-	-	-	987,620	2,082,816
Off-site theater rent and rented theater expenses	2,977,148	-	-	-	-	-	2,977,148	-	-	-	2,977,148	1,347,294
Advertising and publicity	3,813,401	356,273	453	-	120,999	-	4,291,126	-	-	-	4,291,126	6,324,437
Theatrical equipment rentals	1,155,466	210,358	-	-	-	-	1,365,824	-	-	-	1,365,824	1,755,318
Theatrical departmental expenses	550,166	54,657	6,814	-	-	-	611,637	-	-	-	611,637	536,064
Miscellaneous theatrical expenses	1,356,097	140,747	71,803	-	-	-	1,568,647	-	-	-	1,568,647	875,325
Publications, recordings, seminars and special projects	-	113,397	349,237	-	464,542	-	927,176	-	-	-	927,176	973,590
Utilities	-	-	-	-	-	799,990	799,990	-	-	-	799,990	1,064,423
Lincoln Center shared costs	-	-	-	-	-	649,719	649,719	-	-	-	649,719	716,490
Building security	-	-	-	-	-	170,490	170,490	-	-	-	170,490	169,698
Building maintenance	-	-	-	-	-	1,795,643	1,795,643	-	-	-	1,795,643	1,496,807
Insurance	-	-	-	-	-	253,849	253,849	14,579	-	14,579	268,428	265,885
Building costs charged to outside tenants	-	-	-	-	-	(32,145)	(32,145)	-	-	-	(32,145)	(117,984)
Professional fees and consulting	-	-	-	-	2,590	-	2,590	341,475	-	341,475	344,065	274,192
Membership services	-	-	-	-	149,227	-	149,227	-	-	-	149,227	149,768
Interest expense and bank charges	-	-	-	-	-	-	-	14,396	-	14,396	14,396	11,416
Fundraising event expenses (including indirect benefit costs, Note 13)	-	-	-	-	-	-	-	-	771,984	771,984	771,984	426,272
Office services and expenses	-	-	-	-	10,241	-	10,241	83,567	65,694	149,261	159,502	149,587
Telecommunications	-	-	-	-	-	-	-	47,487	-	47,487	47,487	44,146
Meetings, travel and entertainment	-	-	-	-	2,840	-	2,840	82,208	12,603	94,811	97,651	107,679
Postage, dues, stationery and supplies	-	-	-	-	-	-	-	171,643	47,645	219,288	219,288	200,745
Office equipment rental and maintenance	-	-	-	-	-	-	-	103,840	-	103,840	103,840	116,753
Licenses, permits, etc.	-	-	-	-	-	-	-	2,780	-	2,780	2,780	2,640
Storage and warehouse	-	-	-	-	-	28,342	28,342	-	-	-	28,342	21,348
Total expenses before depreciation	30,148,991	4,568,071	743,258	1,692,402	1,248,735	4,130,024	42,531,481	3,259,913	1,878,185	5,138,098	47,669,579	52,726,582
Depreciation	-	-	-	-	-	750,931	750,931	101,694	-	101,694	852,625	788,777
Total Expenses, 2011	<u>\$30,148,991</u>	<u>\$ 4,568,071</u>	<u>\$743,258</u>	<u>\$ 1,692,402</u>	<u>\$ 1,248,735</u>	<u>\$4,880,955</u>	<u>\$43,282,412</u>	<u>\$ 3,361,607</u>	<u>\$ 1,878,185</u>	<u>\$5,239,792</u>	<u>\$48,522,204</u>	
Total Expenses, 2010	<u>\$10,145,919</u>	<u>\$29,828,313</u>	<u>\$925,466</u>	<u>\$ 1,657,362</u>	<u>\$ 1,165,966</u>	<u>\$4,804,388</u>	<u>\$48,527,414</u>	<u>\$ 3,495,694</u>	<u>\$ 1,492,251</u>	<u>\$4,987,945</u>		<u>\$53,515,359</u>

See independent auditors' report on additional information.

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

**SCHEDULES OF OPERATING EXPENSES (EXCLUDING THEATRICAL
PRODUCTION AND OPERATIONS AND SPECIAL ARTISTIC PROJECTS)**

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Salaries	\$ 4,855,035	\$ 4,842,177
Employee benefits and payroll taxes	1,177,996	1,361,690
Total Salaries, Employee Benefits and Payroll Taxes	<u>6,033,031</u>	<u>6,203,867</u>
Advertising and publicity	120,999	95,384
Publications, recordings, seminars, and special projects	464,542	427,768
Utilities	799,990	1,064,423
Lincoln Center shared costs	649,719	716,490
Building security	170,490	169,698
Building maintenance	1,795,643	1,496,807
Insurance	268,428	265,885
Building costs charged to outside tenants	(32,145)	(117,984)
Professional fees and consulting	344,065	274,192
Membership services	149,227	149,768
Interest expense and bank charges	14,396	11,416
Fundraising event expenses (including indirect benefit costs, Note 13)	771,984	426,272
Office services and expenses	159,502	149,587
Telecommunications	47,487	44,146
Meetings, travel and entertainment	97,651	107,679
Postage, dues, stationery and supplies	219,288	200,745
Office equipment rental and maintenance	103,840	116,753
Licenses, permits, etc.	2,780	2,640
Storage and warehouse	<u>28,342</u>	<u>21,348</u>
Total expenses before depreciation	12,209,259	11,826,884
Depreciation	<u>852,625</u>	<u>788,777</u>
Total	<u><u>\$13,061,884</u></u>	<u><u>\$12,615,661</u></u>

See independent auditors' report on additional information.