

EISNERAMPER

NEW YORK CITY BALLET, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

EISNERAMPER
LLP



INDEPENDENT AUDITORS' REPORT

Board of Directors
New York City Ballet, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the New York City Ballet, Inc. ("City Ballet"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Ballet, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
January 15, 2020



NEW YORK CITY BALLET, INC.

Statements of Financial Position

(amounts in thousands)

	June 30,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 14,195	\$ 13,263
Pledges receivable (see Note B)	12,342	15,597
Accounts receivable	811	778
Endowment investments (see Note C)	220,949	220,920
Other investments (see Note C)	1,678	1,650
Inventory	416	507
Deferred production costs	1,566	1,155
Construction in progress (see Note G)		304
Leasehold improvements and other property and equipment, net	<u>73,466</u>	<u>78,473</u>
	<u>\$ 325,423</u>	<u>\$ 332,647</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,141	\$ 5,968
Advance ticket sales and other deferred revenue	6,966	6,187
Line of credit		4,000
Payroll-related and other liabilities	<u>13,970</u>	<u>11,999</u>
Total liabilities	<u>30,077</u>	<u>28,154</u>
Commitments and contingencies (see Notes C and P)		
Net assets:		
Without donor restrictions (see Note E)	<u>107,264</u>	<u>111,671</u>
With donor restrictions:		
Time and purpose restrictions (see Note F)	52,227	57,551
Perpetual in nature (see Note D)	<u>135,855</u>	<u>135,271</u>
Total net assets with donor restrictions	<u>188,082</u>	<u>192,822</u>
Total net assets	<u>295,346</u>	<u>304,493</u>
	<u>\$ 325,423</u>	<u>\$ 332,647</u>

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities

Year Ended June 30, 2019

(with summarized financial information for 2018)

(amounts in thousands)

	Year Ended June 30,					
	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total	
	General Operating	Other	Total		2019	2018
Operating revenues:						
Performance ticket sales and tour fees	\$ 39,757		\$ 39,757		\$ 39,757	\$ 38,846
Investment earnings per spending policy	9,974		9,974		9,974	9,578
(Losses) income in excess of spending policy in endowment		\$ (1,030)	(1,030)	\$ (2,038)	(3,068)	7,402
Investment income other than endowment		120	120		120	97
Rental and other revenues	<u>11,521</u>		<u>11,521</u>		<u>11,521</u>	<u>11,259</u>
Total operating revenues	<u>61,252</u>	<u>(910)</u>	<u>60,342</u>	<u>(2,038)</u>	<u>58,304</u>	<u>67,182</u>
Operating expenses:						
Program services:						
Ballet production	49,780		49,780		49,780	49,164
Funded depreciation		5,096	5,096		5,096	5,098
Facility management	17,738		17,738		17,738	17,493
Production management	<u>6,832</u>		<u>6,832</u>		<u>6,832</u>	<u>4,871</u>
Total program services	<u>74,350</u>	<u>5,096</u>	<u>79,446</u>		<u>79,446</u>	<u>76,626</u>
Supporting services:						
Administration	8,236		8,236		8,236	8,346
Public support	<u>5,121</u>		<u>5,121</u>		<u>5,121</u>	<u>5,564</u>
Total supporting services	<u>13,357</u>		<u>13,357</u>		<u>13,357</u>	<u>13,910</u>
Total operating expenses	<u>87,707</u>	<u>5,096</u>	<u>92,803</u>		<u>92,803</u>	<u>90,536</u>
Change in net assets from operations before public support and non-operating activities	<u>(26,455)</u>	<u>(6,006)</u>	<u>(32,461)</u>	<u>(2,038)</u>	<u>(34,499)</u>	<u>(23,354)</u>
Public support:						
Appropriation from the City of New York	2,472		2,472	7	2,479	4,914
Other public support	17,793	25	17,818	6,065	23,883	30,153
Net assets released from restrictions	<u>6,207</u>	<u>2,567</u>	<u>8,774</u>	<u>(8,774)</u>	<u>0</u>	<u>0</u>
Total public support	<u>26,472</u>	<u>2,592</u>	<u>29,064</u>	<u>(2,702)</u>	<u>26,362</u>	<u>35,067</u>
Change in net assets before non-operating activities	17	(3,414)	(3,397)	(4,740)	(8,137)	11,713
Non-operating activities:						
Bad debt expense						(4,000)
Pension, postemployment and non-periodic adjustments	<u>(890)</u>	<u>(120)</u>	<u>(1,010)</u>		<u>(1,010)</u>	<u>2,593</u>
Change in net assets before transfer of CCMD net assets	(873)	(3,534)	(4,407)	(4,740)	(9,147)	10,306
Transfer of CCMD net assets						81,333
Change in net assets	(873)	(3,534)	(4,407)	(4,740)	(9,147)	91,639
Net assets, beginning of year	<u>(12,900)</u>	<u>124,571</u>	<u>111,671</u>	<u>192,822</u>	<u>304,493</u>	<u>212,854</u>
Net assets, end of year	\$ (13,773)	\$ 121,037	\$ 107,264	\$ 188,082	\$ 295,346	\$ 304,493

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statement of Activities
Year Ended June 30, 2018
(amounts in thousands)

	Year Ended June 30, 2018				
	Net Assets Without Donor Restriction			Net Assets With Donor Restrictions	
	General Operating	Other	Total	Restrictions	Total
Operating revenues:					
Performance ticket sales and tour fees	\$ 38,846		\$ 38,846		\$ 38,846
Investment earnings per spending policy	9,578		9,578		9,578
Income (losses) in excess of spending policy in endowment		\$ 1,977	1,977	\$ 5,425	7,402
Investment income other than endowment		97	97		97
Rental and other revenues	11,259		11,259		11,259
Total operating revenues	59,683	2,074	61,757	5,425	67,182
Operating expenses:					
Program services:					
Ballet production	49,164		49,164		49,164
Funded depreciation		5,098	5,098		5,098
Facility management	17,493		17,493		17,493
Production management	4,871		4,871		4,871
Total program services	71,528	5,098	76,626		76,626
Supporting services:					
Administration	8,346		8,346		8,346
Public support	5,564		5,564		5,564
Total supporting services	13,910		13,910		13,910
Total operating expenses	85,438	5,098	90,536		90,536
Change in net assets from operations before public support and non-operating activities	(25,755)	(3,024)	(28,779)	5,425	(23,354)
Public support:					
Appropriation from the City of New York	2,515		2,515	2,399	4,914
Other public support	18,744		18,744	11,409	30,153
Net assets released from restrictions	4,570	5,408	9,978	(9,978)	0
Total public support	25,829	5,408	31,237	3,830	35,067
Change in net assets before non-operating activities	74	2,384	2,458	9,255	11,713
Non-operating activities:					
Bad debt expense				(4,000)	(4,000)
Pension, postemployment and non-periodic adjustments	2,691	(98)	2,593		2,593
Change in net assets before transfer of CCMD net assets	2,765	2,286	5,051	5,255	10,306
Transfer of CCMD net assets	(1,375)	82,580	81,205	128	81,333
Increase in net assets	1,390	84,866	86,256	5,383	91,639
Net assets, beginning of year	(14,290)	39,705	25,415	187,439	212,854
Net assets, end of year	\$ (12,900)	\$ 124,571	\$ 111,671	\$ 192,822	\$ 304,493

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Statements of Cash Flows

(amounts in thousands)

	Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets:	\$ (9,147)	\$ 91,639
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	5,225	5,244
Write off of property and equipment	304	
Contributions restricted for long-term activities	(3,070)	(5,304)
Bad debt expense		4,232
Donated securities	(1,404)	(1,804)
Proceeds from the sale of donated securities	1,404	1,804
Net gains on investments	(6,400)	(16,738)
Transfer of CCMD net assets		(81,333)
Changes in:		
Pledges receivable	3,255	1,996
Accounts receivable	(33)	143
Gift annuities and other investments	(30)	9
Inventory	91	(33)
Deferred production costs	(411)	945
Accounts payable and accrued expenses	3,173	1,141
Advance ticket sales and other deferred revenue	779	68
Payroll-related and other liabilities	<u>1,971</u>	<u>(2,791)</u>
Net cash used in operating activities	<u>(4,293)</u>	<u>(782)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	60,426	117,250
Purchases of investments	(54,053)	(113,716)
Cash and cash equivalents from CCMD merger		3,249
Construction in progress		(161)
Purchases of property and equipment	<u>(218)</u>	<u>(142)</u>
Net cash provided by investing activities	<u>6,165</u>	<u>6,480</u>
Cash flows from financing activities:		
Contributions restricted for endowment	3,070	5,304
Principal payments on line of credit	<u>(4,000)</u>	<u>(4,000)</u>
Net cash (used in) provided by financing activities	<u>(930)</u>	<u>1,304</u>
Net change in cash and cash equivalents	932	7,002
Cash and cash equivalents, beginning of year	<u>13,263</u>	<u>6,261</u>
Cash and cash equivalents, end of year	<u>\$ 14,195</u>	<u>\$ 13,263</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 334	\$ 0
Taxes paid	\$ 0	\$ 7
Donated goods and services	\$ 871	\$ 663

See notes to financial statements.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2019 and 2018
(amounts in thousands)

NOTE A - CITY BALLET AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] City Ballet:

The New York City Ballet, Inc. ("City Ballet") is a not-for-profit organization incorporated in 1977 in the State of New York. Its primary home and principal place of performance is the David H. Koch Theater, in Lincoln Center, which was operated for City Ballet by City Center of Music and Drama, Inc. ("CCMD"), which also provided certain administrative services to City Ballet through June 30, 2017.

In March 2017, City Ballet and CCMD entered into an Agreement and Plan of Merger whereby CCMD was merged with and into City Ballet as of July 1, 2017, and City Ballet became the surviving entity succeeding to all of CCMD's rights, assets, debts and liabilities. In June 2017, The New York State Attorney General approved this merger. Also in June 2017, the Certificate of Merger was filed with, and accepted by, the New York State Department of State. This completed all requirements of applicable New York law, and the merger was effective as of July 1, 2017.

As a result of the merger, City Ballet reported in its fiscal-year 2018 statement of activities the fair value of net assets transferred from CCMD, consisting of the following:

Funded leasehold improvements and equipment	\$ 64,239
Other leasehold improvements and equipment	256
Cash and cash equivalents	3,249
Investments	17,843
Accounts receivables and other assets	1,594
Accounts payable and accrued expenses	<u>(5,848)</u>
	<u>\$ 81,333</u>

City Ballet is a tax-exempt organization and, accordingly, is not subject to income tax in accordance with Section 509(a)(2) of the Internal Revenue Code (the "Code") and has been classified as a publicly supported organization as defined in Section 501(c)(3) of the Code. Contributions to City Ballet are tax deductible to contributors as provided by law.

[2] Basis of accounting:

The financial statements of City Ballet have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit entities.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased. Cash and cash equivalents managed by City Ballet's investment managers, as part of its long-term investment strategy, are reported as part of the endowment investments portfolio.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE A - CITY BALLET AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments:

Investments in debt and equity securities, are reported at their fair values, which are based on quoted market prices. In addition, City Ballet has investments in certain not-readily-marketable securities, through ownership interests in various hedge funds, private equity funds, other investment funds, and common trust funds ("alternative investments") for which market values are not readily obtainable. The fair value of the alternative investments has been estimated based on the respective net asset value ("NAV") per share (or its equivalent unit), as a practical expedient for valuing the underlying alternative investments. Each general partner performs oversight of the underlying positions, both on a by-type-of-investment level and from a risk perspective, and is responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnership. City Ballet places reliance upon those procedures and records the interests in the alternative investments at fair value as determined by the general partners. Because of the complex management structures and natures of the underlying investments and the inherent uncertainty of the alternative investment valuations, City Ballet and its various investment advisors monitor the underlying investments in order to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform. Management believes the carrying amounts of the investments in not-readily-marketable securities are reasonable estimates of their fair values. However, the estimated values of these alternative investments positions may differ from actual values, had a ready market for the underlying investments existed.

Investment transactions are recorded on a trade date basis. Realized gains and losses on assets sold, and unrealized appreciation or depreciation on investments held, are reported in the accompanying statements of activities.

Donated securities are initially recorded at their fair values on the dates of the gifts, and it is City Ballet's policy to sell donated securities upon receipt. Accordingly, for purposes of the Cash Flows, donated securities and the proceeds generated from their sale are returned within operating activities.

Investment expenses include the services of investment managers and custodians. The balances of investment-management fees disclosed in Note C are those specific fees charged by City Ballet's various investment managers in each fiscal year; however, they do not include those fees that may be embedded in various other investment accounts and transactions.

[6] Property and equipment:

City Ballet does not own any land or buildings, but instead occupies space owned by The City of New York. Purchases of furniture and equipment that are not material are charged to current operations. Significant additions, those that have a cost of \$35 or more and a useful life greater than three years, are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. The fiscal-years 2019 and 2018 financials include leasehold improvements and significant property additions made to David H. Koch Theater, which are capitalized and depreciated using the straight-line method over their estimated useful lives of 3-37 years. Leasehold improvements are recorded at their costs and are amortized over the life of the lease. Funded fixed assets include amounts received from donors that were disbursed for fixed assets.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2019 and 2018, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimates of the recoverability of these assets.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2019 and 2018 (amounts in thousands)

NOTE A - CITY BALLET AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Revenue recognitions:

(i) Contributions to City Ballet are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as net assets with donor restrictions if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. For recognition of donated services in City Ballet's financial statements, such services must (i) create or enhance nonfinancial assets, (ii) typically need to be acquired if not provided by donation (iii) require specialized skills and (iv) be provided by individuals possessing those skills.

(ii) Performance ticket sales and tour fees:

Revenue from performance ticket sales and tour fees is recognized at the time of the related performance. Proceeds from ticket sales and tour fees received in advance are deferred until the day of the related event or performance, and are reported within advance ticket sales and other deferred revenue on the statements of financial position.

(iii) Rental income:

Revenue from the rental of the David H. Koch Theater is recognized when the performance or event occurs and the services are provided.

[8] Production costs:

City Ballet charges costume, scenery, and other production costs for current productions to expense as incurred. Costs relating to future productions are deferred and accounted for as assets until the year in which the productions are first presented, and are reported within deferred production costs on the statements of financial position.

[9] Functional allocation of expenses:

City Ballet's expenses are summarized on a functional basis in Note I. Accordingly, direct costs have been allocated among the various program and supporting-service categories based on the nature of the expense as determined by management. Indirect costs have been allocated on the basis of time and effort. Depreciation has been further allocated between operating and non-operating activities.

[10] Measure of operations:

In the statements of activities, City Ballet includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. It excludes pension, postemployment, other non-periodic adjustments and bad debt expense on endowment pledges.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2019 and 2018 (amounts in thousands)

NOTE A - CITY BALLET AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Net assets:

The net assets of City Ballet and the changes therein are classified and reported as follows:

(i) *Net Assets Without Donor Restrictions:*

Net assets without donor restrictions represents those resources used to account for the general activities of the organization. Funds designated by the Board of Trustees to serve as quasi-endowment, remain without restriction, subject to use at the discretion of the Board. In addition, City Ballet has a capital reserve, not functioning as endowment, for capital renewal and replacement.

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the State of New York's Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors.

When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions."

[12] Income tax:

City Ballet is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. For City Ballet, these provisions could be applicable to the incurrence of unrelated business income related to investment income, rental income, and disallowed transportation fringe benefits. Because of City Ballet's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on City Ballet's financial statements.

[13] Adoption of accounting principle:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, and (iv) liquidity and availability of resources. ASU 2016-14 was effective for annual reporting periods issued for years beginning after December 15, 2017. Accordingly, City Ballet was required to adopt ASU 2016-14 for its fiscal-year ended June 30, 2019, which under U.S. GAAP is a change in accounting principle requiring retroactive application in the financial statements of certain areas, whereas certain areas are to be adopted on a prospective basis. Although City Ballet's adoption of ASU 2016-14 had no effect on City Ballet's total net assets or its changes in net assets for fiscal-years 2019 and 2018, certain reclassifications were required. Accordingly, City Ballet changed its presentation of its net asset classes and expanded certain footnote disclosures.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2019 and 2018 (amounts in thousands)

NOTE A - CITY BALLET AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Reclassification:

Certain amounts included in the prior year's financial statement have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

[15] Subsequent events:

City Ballet evaluated subsequent events through January 15, 2020, the date on which the financial statements were available to be issued.

NOTE B - PLEDGES RECEIVABLE

In fiscal-years 2019 and 2018, respectively, pledges of \$12,342 and \$15,597 have been recorded net of applicable discounts of \$620 and \$954. Included in pledges receivable are pledges specifically for City Ballet's endowment, net of applicable discounts, totaled \$5,518 and \$8,005 in fiscal-years 2019 and 2018, respectively.

Pledges are expected to be collected as follows:

	June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Less than one year	\$ 1,381	\$ 6,981	\$ 8,362	\$ 1,517	\$ 10,010	\$ 11,527
One to five years		4,881	4,881		9,325	9,325
	1,381	11,862	13,243	1,517	19,335	20,852
Less discount to present value at rates ranging from 3% - 6% for fiscal-years 2019 and 2018		(620)	(620)		(954)	(954)
	1,381	11,242	12,623	1,517	18,381	19,898
Allowance for doubtful pledges	(281)		(281)	(301)	(4,000)	(4,301)
Total	<u>\$ 1,100</u>	<u>\$ 11,242</u>	<u>\$ 12,342</u>	<u>\$ 1,216</u>	<u>\$ 14,381</u>	<u>\$ 15,597</u>

At June 30, 2019, pledges receivable from five unrelated private funders totaled approximately \$6,750 and represented approximately 54% of pledges receivable. At June 30, 2018, pledges receivable from three unrelated private funders totaled approximately \$ 6,000 and represented 38% of pledges receivable.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2019 and 2018 (amounts in thousands)

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30, 2019		
	Endowment Investments	Other Investments	Total
Cash and cash equivalents	\$ 8,706	\$ 17	\$ 8,723
Equities (a)	56,199	702	56,901
Fixed-income mutual funds	87	959	1,046
Alternative investments:			
Hedge funds (b):			
Domestic	46,572		46,572
Offshore	59,917		59,917
Private equity fund (c)	3,603		3,603
Other investment funds (d)	30,739		30,739
Common trust funds (e)	15,126		15,126
Total	\$ 220,949	\$ 1,678	\$ 222,627
	June 30, 2018		
	Endowment Investments	Other Investments	Total
Cash and cash equivalents	\$ 9,447	\$ 53	\$ 9,500
Equities (a)	32,581	683	33,264
Fixed-income mutual funds	98	914	1,012
Alternative investments:			
Hedge funds (b):			
Domestic	48,850		48,850
Offshore	90,077		90,077
Private equity fund (c)	2,530		2,530
Other investment funds (d)	23,434		23,434
Common trust funds (e)	13,903		13,903
Total	\$ 220,920	\$ 1,650	\$ 222,570

- (a) The equities primarily consist of domestic and international common stock and preferred stock.
- (b) The funds primarily invest in domestic and international securities, derivative contracts, and other investments across various classes, sectors, and geographies.
- (c) The fund is focused on (i) evaluating, discovering, investigating, developing, acquiring, holding, managing, monitoring and disposing of investments; and (ii) sharing the profits and losses therefrom and engaging in activities incidental or ancillary thereto.
- (d) The funds are focused on a diversified set of strategies, which may include various buyouts, distressed, growth, venture capital, and other strategies.
- (e) The fund's primarily invest in high quality growth companies which trade at a discount to the market and companies that are thought to be well-positioned in attractively structured, stable industries and are less vulnerable to business disruptions.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

During fiscal-years 2019 and 2018, net investment income consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Net realized gains	\$ 13,928	\$ 15,322
Net unrealized (losses) gains	<u>(7,528)</u>	<u>1,416</u>
Net gains on investments	6,400	16,738
Interest and dividends, net	<u>506</u>	<u>242</u>
	<u>\$ 6,906</u>	<u>\$ 16,980</u>

Interest and dividends are net of management fees expenses of \$692 and \$623 for fiscal-years 2019 and 2018, respectively.

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments or similar investments in markets that are not active or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and that includes situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

Certain of City Ballet's investments are valued using NAV per share (or its equivalent unit) as a practical expedient for determining fair value. This applies to investments which (i) do not have a readily determinable fair value and (ii) the financial statements of which were prepared by the respective investment managers in a manner consistent with the measurement principles applied to either an investment company or to an entity which has the attributes of an investment company. Investments that are valued using NAV per share, or its equivalent unit, are not required to be categorized within the fair value hierarchy, and accordingly have been excluded from the fair-value hierarchy.

City Ballet's investments are subject 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 those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The availability of relevant market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. During fiscal-years 2019 and 2018, there were no transfers among the fair-value hierarchy levels.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The following tables summarize the fair values of City Ballet's assets at each fiscal year-end, in accordance with the ACC Topic 820 valuation levels:

June 30, 2019			
Fair-Value Hierarchy			
Level 1	Total	Valued at NAV	Total Investments
Cash and cash equivalents	\$ 8,723	\$ 8,723	\$ 8,723
Equities	56,901	56,901	56,901
Fixed-income mutual funds	1,046	1,046	1,046
Alternative investments		<u>\$ 155,957</u>	<u>155,957</u>
Total	<u>\$ 66,670</u>	<u>\$ 66,670</u>	<u>\$ 222,627</u>

June 30, 2018			
Fair-Value Hierarchy			
Level 1	Total	Valued at NAV	Total Investments
Cash and cash equivalents	\$ 9,500	\$ 9,500	\$ 9,500
Equities	33,264	33,264	33,264
Fixed-income mutual funds	1,012	1,012	1,012
Alternative investments		<u>\$ 178,794</u>	<u>178,794</u>
Total	<u>\$ 43,776</u>	<u>\$ 43,776</u>	<u>\$ 222,570</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The following table describes the funding commitment (in thousands of dollars) and redemption information as of June 30, 2019 for City Ballet's alternative investments:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds - domestic:				
Angelo Gordon Super Fund, LP	\$ 261	None	Quarterly	90 days
Farallon Equity Partners, LP	24,173	None	Quarterly	30 days
Renaissance Inst'l Diversified Alpha Fund, LLC	11,103	None	Monthly	2 months
New Generation Turnaround Fund (Bermuda), LP	7,673	None	Monthly	20 days
Davidson Kempner LT Distressed Opps Int'l IV, LP	<u>3,362</u>	1,800	N/A	N/A
Total hedge funds - domestic	<u>46,572</u>			
Hedge funds - offshore:				
Nut Tree Offshore Fund Ltd.	8,324	None	Quarterly	75 days
Nitorum Offshore Fund, Ltd.	7,106	None	Quarterly	60 days
Valinor Capital Partners Offshore, Ltd.	7,174	None	Quarterly	60 days
TVF Fund, Ltd.	11,012	None	Quarterly	45 days
York Credit Opportunities Master Fund, L.P.	9,745	None	Anniversary of Fund	60 days
Coatue Offshore Fund, Ltd.	7,910	None	Quarterly	45 days
Indus Select	4,943	None	Monthly	30 days
Canyon DOF II (Cayman)	3,676	1,700	N/A	N/A
Och Ziff Overseas Fund, Ltd.	<u>27</u>	None	Redemption in Process	N/A
Total hedge funds - offshore	<u>59,917</u>			
Private equity fund:				
Sageview Capital Partners II (Offshore), LP	<u>3,603</u>	1,828	N/A	N/A
Other investment funds:				
Sanderson Int'l Value Fund	9,989	None	Monthly	10 days
Highclere Int'l Investors SMID Fund	5,051	None	Monthly	10 days
GQG Partners Emerging Markets Equity Fund	8,464	None	Weekly	Prior Friday
HCIF Offshore LP.	5,778	None	Annually	90 days
Farallon Special Situations Fund	938	4,062	N/A	N/A
Abingworth Bioventures VII LP	<u>519</u>	2,323	N/A	N/A
Total other investment funds	<u>30,739</u>			
Common trust funds:				
Wellington CTF Select Leaders	7,309	None	Monthly	10 days
Wellington CTF Int'l Quality Growth	<u>7,817</u>	None	Daily	1 day
Total common trust funds	<u>15,126</u>			
	<u>\$ 155,957</u>			

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2019 and 2018
(amounts in thousands)

NOTE D - ENDOWMENTS

City Ballet's endowments consist of both with or without donor restrictions established for a variety of purposes.

[1] Endowment net assets (inclusive of approximately \$5,518 and \$8,005 pledges in fiscal-years 2019 and 2018, respectively), by type of fund, as of each fiscal-year end, are as follows:

June 30, 2019					
	Without Donor Restriction	With Donor Restrictions			Total
		Endowment appreciation	Endowment	Total	
Functioning as endowment	\$ 10,996		\$ 7,162	\$ 7,162	\$ 18,158
Touring	2,345				2,345
Delmas Repertory	7,090				7,090
Capital Campaign 1999		\$ 4,123	13,807	17,930	17,930
Martison Memorial/Society Loan		135	84	219	219
General	285		1,000	1,000	1,285
Capital Campaign 2014 General	546		9,471	9,471	10,017
Board Designated	23,317				23,317
Bequests	2,815				2,815
Wallace Endowment		22,736	57,751	80,487	80,487
	<u>47,394</u>	<u>26,994</u>	<u>89,275</u>	<u>116,269</u>	<u>163,663</u>
Choreographic Institute		8,765	16,378	25,143	25,143
Nureyev Repertory		383	1,000	1,383	1,383
Martins Repertory		1,343	3,000	4,343	4,343
Martins' 25		85	344	429	429
Martins' 30		10	115	125	125
Balanchine Repertory		589	1,320	1,909	1,909
Symphony in C		710	1,000	1,710	1,710
Robbins Repertory		19	67	86	86
Touring		1,375	2,975	4,350	4,350
Education		267	775	1,042	1,042
Levin Dance		450	1,000	1,450	1,450
Dance On		150	1,000	1,150	1,150
Musical Leadership		824	2,000	2,824	2,824
Scenic Design Maintenance		96	250	346	346
Kirstein Memorial		126	235	361	361
Capital Campaign 2014 Stepping		573	7,000	7,573	7,573
Capital Campaign 2014 Education		71	750	821	821
Capital Campaign 2014 Repertory		44	450	494	494
Capital Campaign 2014 Toe Shoes		23	150	173	173
Capital Campaign 2014 Dancers' Salary		75	1,210	1,285	1,285
Capital Campaign 2014 New Works		63	900	963	963
Capital Campaign 2014 Costumes		67	1,000	1,067	1,067
Capital Campaign 2014 Ballet Master		116	2,500	2,616	2,616
Capital Campaign 2014 Jacob Funds		23	986	1,009	1,009
		<u>16,247</u>	<u>46,405</u>	<u>62,652</u>	<u>62,652</u>
Investments held by others (Stern)		(23)	175	152	152
	<u>\$ 47,394</u>	<u>\$ 43,218</u>	<u>\$ 135,855</u>	<u>\$ 179,073</u>	<u>\$ 226,467</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2019 and 2018
(amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

June 30, 2018					
	Without Donor Restriction	With Donor Restrictions			Total
		Endowment appreciation	Endowment	Total	
Functioning as endowment	\$ 11,352		\$ 7,162	\$ 7,162	\$ 18,514
Touring	2,390			-	2,390
Delmas Repertory	7,228			-	7,228
Capital Campaign 1999		\$ 4,463	13,798	18,261	18,261
Martison Memorial/Society Loan		139	84	223	223
General	309		1,000	1,000	1,309
Capital Campaign 2014 General	552		9,246	9,246	9,798
Board Designated	23,734				23,734
Bequests	2,834				2,834
Wallace Endowment		<u>24,283</u>	<u>57,751</u>	<u>82,034</u>	<u>82,034</u>
	<u>48,399</u>	<u>28,885</u>	<u>89,041</u>	<u>117,926</u>	<u>166,325</u>
Choreographic Institute		8,607	16,378	24,985	24,985
Nureyev Repertory		409	1,000	1,409	1,409
Martins Repertory		1,427	3,000	4,427	4,427
Martins' 25		92	344	436	436
Martins' 30		12	115	127	127
Balanchine Repertory		626	1,320	1,946	1,946
Symphony in C		743	1,000	1,743	1,743
Robbins Repertory		20	67	87	87
Touring		1,459	2,975	4,434	4,434
Education		286	775	1,061	1,061
Levin Dance		478	1,000	1,478	1,478
Dance On		149	1,000	1,149	1,149
Musical Leadership		878	2,000	2,878	2,878
Scenic Design Maintenance		102	250	352	352
Kirstein Memorial		133	235	368	368
Capital Campaign 2014 Stepping		610	6,972	7,582	7,582
Capital Campaign 2014 Education		77	750	827	827
Capital Campaign 2014 Repertory		51	448	499	499
Capital Campaign 2014 Toe Shoes		26	150	176	176
Capital Campaign 2014 Dancers' Salary		65	1,210	1,275	1,275
Capital Campaign 2014 New Works		50	694	744	744
Capital Campaign 2014 Costumes		68	1,000	1,068	1,068
Capital Campaign 2014 Ballet Master		23	2,408	2,431	2,431
Capital Campaign 2014 Jacob Funds		<u>4</u>	<u>964</u>	<u>968</u>	<u>968</u>
		<u>16,395</u>	<u>46,055</u>	<u>62,450</u>	<u>62,450</u>
Investments held by others (Stern)		<u>(25)</u>	<u>175</u>	<u>150</u>	<u>150</u>
	<u>\$ 48,399</u>	<u>\$ 45,255</u>	<u>\$ 135,271</u>	<u>\$ 180,526</u>	<u>\$ 228,925</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[2] Changes in endowment net assets (exclusive of approximately \$5,518 and \$8,005 pledges in fiscal-years 2019 and 2018, respectively) during each fiscal-year:

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 48,399	\$ 172,521	\$ 220,920
Investment return:			
Investment management fees	(193)	(499)	(692)
Interest, dividends and realized gains	4,218	10,908	15,126
Unrealized losses	(2,099)	(5,429)	(7,528)
	<u>1,926</u>	<u>4,980</u>	<u>6,906</u>
Other charges:			
Additions	25		25
Other additions		3,070	3,070
Spending policy of 5%- appropriation	(2,956)	(7,018)	(9,974)
	<u>(2,931)</u>	<u>(3,948)</u>	<u>(6,879)</u>
	47,394	173,553	220,947
Net income on investments held by others		2	2
Endowment net assets, end of year	\$ <u>47,394</u>	\$ <u>173,555</u>	\$ <u>220,949</u>

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 28,081	\$ 161,642	\$ 189,723
Investment return:			
Investment management fees	(174)	(449)	(623)
Interest, dividends and realized gains	4,532	11,655	16,187
Unrealized gains	396	1,020	1,416
	<u>4,754</u>	<u>12,226</u>	<u>16,980</u>
Other charges:			
Additions	18,341		18,341
Other additions		5,479	5,479
Spending policy of 5%- appropriation	(2,777)	(6,801)	(9,578)
	<u>15,564</u>	<u>(1,322)</u>	<u>14,242</u>
	48,399	172,546	220,945
Net income on investments held by others		(25)	(25)
Endowment net assets, end of year	\$ <u>48,399</u>	\$ <u>172,521</u>	\$ <u>220,920</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE D - ENDOWMENTS (CONTINUED)

[3] Donor-restricted endowment:

The historic dollar value of City Ballet's donor-restricted endowment as of June 30, 2019 and 2018 was approximately \$135,855 and \$135,271, respectively. A portion of the income derived from donor-restricted endowment may be used for general operating purposes, while some donors have restricted the income from their endowment contributions for specific purposes.

Donor-restricted endowment also includes certain challenge grant funds from the National Endowment for the Arts, which require that the gift be maintained in perpetuity with only the income being utilized. Amounts may be withdrawn from these funds during the year to finance current operations, with the condition that all withdrawals are fully repaid no later than two years from the date of the borrowing.

In addition, in accordance with an agreement with the City of New York, a donor-restricted endowment was established to act as a working capital reserve. Interest generated by this fund is available for current operations. Additionally, portions of the principal may be temporarily withdrawn during the year for financing current operations on the condition that all withdrawals be fully repaid in cash prior to the fiscal year-end.

[4] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original contribution - perpetual in nature. Although, under the terms of NYPMIFA, City Ballet has no responsibility to restore such decreases in value. At June 30, 2019 and 2018, a deficiency existed in one of City Ballets donor restricted endowment fund of \$23 and \$25, respectively.

[5] Spending policy:

City Ballet has a policy permitting management to budget and expend a percentage of endowment earnings, based on each fund's average market value over the preceding 20 quarters. For fiscal-years 2019 and 2018, the applied percentage was 5.0%.

NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS

[1] Net assets without donor restrictions at each year end consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
General operating:		
Undesignated	\$ (6,213)	\$ (6,350)
Pension/postemployment accumulated other income and loss	<u>(7,560)</u>	<u>(6,550)</u>
	<u>(13,773)</u>	<u>(12,900)</u>
Other:		
Fixed assets - funded	72,797	75,326
Capital renewal and replacement Board designated capital reserve	846	846
Board-designated to function as endowment	<u>47,394</u>	<u>48,399</u>
	<u>121,037</u>	<u>124,571</u>
	<u>\$ 107,264</u>	<u>\$ 111,671</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2019 and 2018
(amounts in thousands)

NOTE E - NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)

[2] Pension/postemployment accumulated other income and loss:

The pension/postemployment accumulated other income and loss ("AOCI") is composed of the following at each fiscal year ended:

	Year Ended June 30,	
	2019	2018
Pension	\$ (8,424)	\$ (5,573)
Post-employment	<u>864</u>	<u>(977)</u>
Total	<u>\$ (7,560)</u>	<u>\$ (6,550)</u>

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal-year, net assets with donor restrictions consisted of the following:

	June 30,	
	2019	2018
Perpetual in nature (see Note D)	<u>\$ 135,855</u>	<u>\$ 135,271</u>
Time and purpose restrictions:		
Productions	1,975	\$ 1,885
Emergency	418	510
Education	811	222
Passage of time	<u>5,782</u>	<u>9,654</u>
	8,986	12,271
Accumulation of endowment income reserved for appropriations	<u>43,241</u>	<u>45,280</u>
	<u>52,227</u>	<u>57,551</u>
	<u>\$ 188,082</u>	<u>\$ 192,822</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2019 and 2018 (amounts in thousands)

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each fiscal year-end, net assets released from restrictions in fulfillment of the following:

	Year Ended June 30,	
	2019	2018
Productions	\$ 1,802	\$ 1,928
Emergency	92	
Education	705	946
Passage of time	<u>6,175</u>	<u>7,104</u>
Total	<u>\$ 8,774</u>	<u>\$ 9,978</u>

NOTE G - LEASEHOLD, PROPERTY AND EQUIPMENT

[1] Construction in progress:

The construction in progress represents the capitalized costs incurred for leasehold improvements in the space utilized by City Ballet in the Koch Theater. At June 30, 2019 and 2018, construction in progress was \$0 and \$304, respectively.

[2] Leasehold improvements and other property and equipment consisted of the following:

	June 30,	
	2018	2017
Leasehold improvements	\$ 75,712	\$ 75,618
Property and equipment	<u>20,552</u>	<u>20,428</u>
	96,264	96,046
Less accumulated depreciation	<u>(22,798)</u>	<u>(17,573)</u>
	<u>\$ 73,466</u>	<u>\$ 78,473</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements June 30, 2019 and 2018 (amounts in thousands)

NOTE H - PUBLIC SUPPORT

Net public support without donor restrictions provided to City Ballet, and the utilization of donor purpose restricted net assets by major classifications, were as follows during each fiscal-year:

	Year Ended June 30,	
	2019	2018
Appropriation from the City of New York	\$ 2,479	\$ 4,914
Other governmental agencies	175	199
Special events	5,937	6,131
Membership	2,650	2,731
Foundation	4,519	2,724
Corporate	4,683	4,564
Individual	7,996	9,661
Estates	625	313
	<u>\$ 29,064</u>	<u>\$ 31,237</u>

EISNER AMPER
LLP

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2019 and 2018
(amounts in thousands)

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES

For fiscal-years 2019 and 2018, the following schedules describe management's allocation of expenses by natural classification to City Ballet's various functional categories:

	Year Ended June 30, 2019							2019 Total
	Program Services				Supporting Services			
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support Expenses	Total Supporting Services	
Salaries	\$ 27,775	\$ 8,104	\$ 5,462	\$ 41,341	\$ 3,720	\$ 1,941	\$ 5,661	\$ 47,002
Benefits	<u>12,138</u>	<u>3,748</u>	<u>1,143</u>	<u>17,029</u>	<u>1,635</u>	<u>609</u>	<u>2,244</u>	<u>19,273</u>
Salaries and related benefits	39,913	11,852	6,605	58,370	5,355	2,550	7,905	66,275
Occupancy	76	4,894		4,970	8	32	40	5,010
Depreciation	64	37		101	28		28	129
Printing	2,961	1		2,962	9	215	224	3,186
Transportation	946	18	8	972	34	82	116	1,088
Scenery, music, and costumes	1,782	40		1,822	27	34	61	1,883
Professional fees	1,091	193	181	1,465	2,247	36	2,283	3,748
Data processing, telephone and office expenses	111	39	21	171	319	70	389	560
Insurance	44	474		518	173		173	691
Royalties	948			948				948
Miscellaneous expenses	<u>1,844</u>	<u>190</u>	<u>17</u>	<u>2,051</u>	<u>36</u>	<u>2,102</u>	<u>2,138</u>	<u>4,189</u>
Total expenses before funded depreciation and bad debt expense - non-operating	49,780	17,738	6,832	74,350	8,236	5,121	13,357	87,707
Funded depreciation	<u>11</u>	<u>5,085</u>		<u>5,096</u>				<u>5,096</u>
	<u>\$ 49,791</u>	<u>\$ 22,823</u>	<u>\$ 6,832</u>	<u>\$ 79,446</u>	<u>\$ 8,236</u>	<u>\$ 5,121</u>	<u>\$ 13,357</u>	<u>\$ 92,803</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements
June 30, 2019 and 2018
(amounts in thousands)

NOTE I - SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

	Year Ended June 30, 2018							
	Program Services				Supporting Services			
	Ballet Production	Facility Management	Production Management	Total Program Services	Administration	Public Support Expenses	Total Supporting Services	Total
Salaries	\$ 27,441	\$ 7,940	\$ 3,775	\$ 39,156	\$ 3,849	\$ 2,106	\$ 5,955	\$ 45,111
Benefits	<u>12,108</u>	<u>3,662</u>	<u>1,027</u>	<u>16,797</u>	<u>1,697</u>	<u>827</u>	<u>2,524</u>	<u>19,321</u>
Salaries and related benefits	39,549	11,602	4,802	55,953	5,546	2,933	8,479	64,432
Occupancy	72	4,811		4,883	119	65	184	5,067
Depreciation	68	27		95	49	2	51	146
Printing	2,944			2,944	10	191	201	3,145
Transportation	903	19	11	933	28	75	103	1,036
Scenery, music, and costumes	1,545	36		1,581	32	60	92	1,673
Professional fees	1,258	144	58	1,460	2,048	284	2,332	3,792
Data processing, telephone and office expenses	154	57		211	351	63	414	625
Insurance		504		504	152		152	656
Royalties	957			957				957
Miscellaneous expenses	<u>1,714</u>	<u>293</u>	<u></u>	<u>2,007</u>	<u>11</u>	<u>1,891</u>	<u>1,902</u>	<u>3,909</u>
Total expenses before funded depreciation and bad debt expense - non-operating	49,164	17,493	4,871	71,528	8,346	5,564	13,910	85,438
Funded depreciation	11	5,087		5,098				5,098
Bad debt expense - non-operating	<u></u>	<u></u>	<u></u>	<u></u>	<u>4,000</u>	<u></u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 49,175</u>	<u>\$ 22,580</u>	<u>\$ 4,871</u>	<u>\$ 76,626</u>	<u>\$ 12,346</u>	<u>\$ 5,564</u>	<u>\$ 17,910</u>	<u>\$ 94,536</u>

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE J - DONATED GOODS AND SERVICES

Donated goods and services, including legal services are valued at the standard market rate that would have been incurred by City Ballet if it would have had to expend its own resources to acquire them. The fair value of these donations was \$871 and \$663 for fiscal-years 2019 and 2018, respectively. These amounts are reported, as both revenue and expense in the accompanying statements of activities.

NOTE K - PENSION PLANS

Until fiscal-year 2011, City Ballet participated in a noncontributory, defined-benefit pension plan for nonunion, salaried employees. This plan was subsequently frozen, effective June 15, 2012. In place of this frozen pension plan, management of City Ballet amended an existing 403(b) plan to include employer contributions, retroactive to January 1, 2012. Pension benefits for vested employees as of the freeze date are based on years of service and final average compensation, as defined. City Ballet's policies are to fund the plans in compliance with the Employee Retirement Income Security Act of 1974 ("ERISA").

The following table sets forth basic information relating to the total accrued benefit liability of the Plan for each fiscal year-end:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Projected benefit obligation	\$ (31,859)	\$ (28,999)
Plan assets at fair value	<u>24,932</u>	<u>24,189</u>
Funded status deficit, recognized as liabilities in the statements of financial position	<u>\$ (6,927)</u>	<u>\$ (4,810)</u>

At both June 30, 2019 and 2018, the percentages of the fair values of the types of plan assets held were approximately 1% money-market funds, 62% equity securities and mutual funds, and 37% alternative investments. The Plan's investments are considered all level 1 within the fair-value hierarchy, except for the alternative investments which are measure at fair value using NAV per share (or its equivalent) as a practical expedient and have not been classified in the fair-value hierarchy.

The key assumptions used to determine the Plan's net periodic pension cost at each fiscal year-end were as follows:

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Discount rate	4.55%	4.18%
Long-range return on assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE K - PENSION PLANS (CONTINUED)

The following are the components of the net periodic pension cost for the Plan for the fiscal year:

	Year Ended June 30,	
	2019	2018
Expected return on plan assets	\$ (1,754)	\$ (1,628)
Interest cost on projected benefit obligation	1,279	1,218
Amortization of accumulated loss	491	841
Net periodic pension cost	<u>\$ 16</u>	<u>\$ 431</u>

Contributions to the Plan and benefits paid during fiscal-year were as follows:

	Year Ended June 30,	
	2019	2018
Employer contributions	<u>\$ 750</u>	<u>\$ 700</u>
Benefits paid	<u>\$ 1,020</u>	<u>\$ 959</u>

Benefit payments under the Plan, which include expected future service, are expected to be paid as follows:

<u>Fiscal-year ending June 30,</u>	<u>Pension Benefits</u>
2020	\$ 1,962
2021	2,011
2022	2,080
2023	2,075
2024	2,051
2025-2029	10,016

The Plan's assets are managed in accordance with ERISA standards for prudent investments. The investment objectives are long-term growth and current income. This investment objective seeks long-term capital appreciation, balanced by a substantial and stable rate of current income. It is recognized that this objective would entail accepting short-term volatility in the market value of the fund as a trade-off for the opportunity of earning long-term growth in capital. The Plan's assets are invested in a diversified mix of U.S. and international equity securities, alternative investments, and fixed-income securities. As of June 30, 2019, the asset allocation is 4% in cash equivalents, 44% in U.S. equity securities, 24% in debt securities, and 28% in mutual funds. Asset-manager performance is reviewed at least once every three months and benchmarked against the peer universe for the given investment style.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE K - PENSION PLANS (CONTINUED)

City Ballet's target allocations of plan assets and the actual weighted-average allocations were as follows for each fiscal-year:

	<u>Target 2019</u>	<u>Actual 2019</u>	<u>Actual 2018</u>
Cash equivalents	4%	4%	5%
Equity securities	44%	44%	42%
Debt securities	24%	24%	26%
Mutual Funds	28%	28%	27%

City Ballet's net periodic pension cost for fiscal-years 2019 and 2018 was approximately \$16 and \$431, respectively. City Ballet's accrued benefit liability at June 30, 2019 and 2018 was approximately \$6,927 and \$4,810, respectively, and is reported in payroll-related liabilities in the accompanying statements of financial position. Accumulated other comprehensive loss associated with City Ballet's pension plan, was approximately \$8,424 and \$5,573 in fiscal-years 2019 and 2018, respectively. Net assets without donor restrictions were (decreased) increased by \$(2,851) and \$2,473 in fiscal-year 2019 and 2018, respectively, to record the adjustments required to balance the accrued benefit liability to the amount of the unfunded projected benefit obligation as of fiscal-year end.

City Ballet also contributes to union pension plans based upon a percentage of employee salaries. Pension costs associated with these plans amounted to approximately \$4,000 and \$3,967 in fiscal-years 2019 and 2018, respectively.

NOTE L - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In fiscal-year 1978, CCMD adopted the policy of providing the option to certain employees (i.e. those who had at least 20 years of service and who were 65 years of age upon their retirement from CCMD to continue in the group medical and life insurance plan, at no cost to the employee. CCMD's Board of Governors ended this policy in April 1995 for employees who had not vested in this benefit, but in fiscal-year 1997, CCMD Board of Governors reinstated this benefit for all active employees who, at that date, had already achieved the requisite 20 years of service. In addition, City Ballet contracts with various unions to include provisions for severance payments to members after they reach a predetermined length of service. City Ballet funds both of these obligations as benefits are actually paid.

Net assets without donor restrictions were increased by \$1,841 and \$120 in fiscal-year 2019 and 2018, respectively, to record the adjustments required to balance the accrued postretirement benefit liability to the amount of the unfunded projected benefit obligation as of fiscal-year end.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE L - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The following tables set forth basic information relating to the accrued benefit liability at each fiscal year-end:

	June 30,	
	2019	2018
Projected postretirement benefit obligation	\$ 627	\$ 2,410
Plan assets at fair value	<u>0</u>	<u>0</u>
Funded status	<u>\$ 627</u>	<u>\$ 2,410</u>

	June 30,	
	2019	2018
Postretirement benefit obligation at the end of year:		
Active employees not fully eligible to retire	\$ 0	\$ 0
Active employees fully eligible to retire	88	351
Retirees	<u>539</u>	<u>2,059</u>
Total	<u>\$ 627</u>	<u>\$ 2,410</u>

The following items are the components of the net periodic postretirement benefit cost and corresponding changes to the accumulated obligation for each fiscal-year:

	Year Ended	
	June 30,	
	2019	2018
Net periodic postretirement benefit cost:		
Service	\$ 0	\$ 0
Interest	106	100
Amortization of accumulated loss	<u>125</u>	<u>128</u>
Net periodic postretirement benefit cost	<u>\$ 231</u>	<u>\$ 228</u>
Actual payments	<u>\$ 168</u>	<u>\$ 173</u>

In fiscal-year 2019, City Ballet's postretirement benefit plan had a substantial experience gain of \$2,025 due to the movement of the retirees to a Medicare Advantage Plan.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE L - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Estimated benefit payments are as follows:

<u>Year Beginning July 1,</u>	<u>Employer Benefit Payment</u>
2019	\$ 62
2020	61
2021	59
2022	57
2023	54
2024 - 2028	326

The accumulated postretirement benefit obligation was actuarially determined as of June 30, 2019, using assumed discount rates of 3.5%. The assumed rate of future increases in health care was not applicable in the first year, increasing to 4.5% by fiscal-year 2026. Had the health-care cost-trend rate assumption been increased by 1.0%, the accumulated postretirement benefit obligation would have increased by 7.5%. The effect of this change on the sum of the service and interest cost components of net periodic postretirement benefit cost would have been an increase of 6.4%. The postretirement balance is included as part of payroll-related and other liabilities in the accompanying statements of financial position

The expected employer contribution for fiscal-year 2020 is \$62.

NOTE M- KOCH THEATER RENTAL ACTIVITIES

The Koch Theater is available for rent when not in use by City Ballet. The revenue from these rentals is used to partially offset the facility and administrative expenses of the Theater.

NOTE N- NEW YORK CITY CONTRIBUTIONS FOR CAPITAL EXPENDITURES

The City of New York owns the Koch Theater and partially supports the operation of the facility through energy subsidies and an annual appropriation from the New York City Department of Cultural Affairs ("DCA"). This annual appropriation amounted to approximately \$2,472 and \$2,522 in fiscal-years 2019 and 2018, respectively. Under the terms of its license agreement with the City of New York for the Koch Theater, City Ballet pays a nominal rent and the operating and maintenance costs of the building. City Ballet has taken the position that no comparable market exists for the rental of the buildings occupied by any of the 33 members of its Cultural Institutions Group, of which City Ballet is a member; therefore, no provision for that contribution nor for the associated expense has been provided in the accompanying financial statements.

The City and State of New York also provide capital support for the Koch Theater. City Ballet reports this capital support as an increase in construction in progress until the associated assets are placed in service. Historically, the City of New York made \$38,940 in capital expenditures from fiscal-years 1990 to 2019.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the City Ballet's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of June 30, 2019 because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board of Trustees for growth and sustainability of the City Ballet that could be drawn upon if the Board of Trustees approves the action.

City Ballet's financial assets available for general use within one year of the statement of financial position date for general expenditure are as follows:

	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 14,195
Pledges receivable, net	12,342
Accounts receivable	924
Investments	<u>222,627</u>
Total financial assets available within one year	<u>250,088</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with:	
Time and purpose restrictions	(52,227)
Perpetual in nature	<u>(135,855)</u>
	<u>(188,082)</u>
Amounts available to management with Board's approval:	
Board-designated capital reserve	(846)
Board-designated quasi-endowment fund	<u>(47,394)</u>
	<u>(48,240)</u>
Total amounts unavailable for general expenditure within one year	<u>(236,322)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,766</u>

Liquidity policy:

City Ballet maintains a sufficient level of operating cash and investments to be available as its general expenditures, liabilities, and other obligations come due. Additionally, City Ballet has a Quasi-endowment fund and capital reserve fund, whereby amounts could be made available for current operations, if necessary; however, City Ballet does not intend to spend this fund for purposes other than those approved by the Board of Trustees.

NEW YORK CITY BALLET, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(amounts in thousands)

NOTE P - COMMITMENTS AND CONTINGENCIES:

[1] Samuel B. and David Rose Building:

During fiscal-year 1985, City Ballet entered into an agreement whereby City Ballet contributed, based on space usage, a pro rata share of the costs of the Rose Building. Under the agreement, City Ballet received a 99-year lease for its space. Construction costs were capitalized and are being amortized over the anticipated useful life of the building. Depreciation began in fiscal-year 1992, when the space was put into service, and amounted to \$415 for both fiscal-years 2019 and 2018. Also, under the terms of the lease, in addition to its own operating costs, City Ballet is committed to pay its share of common area costs.

[2] Warehouse and telemarketing office:

During fiscal-years 2019 and 2018, City Ballet leased space for two warehouses and archival space under agreements expiring in fiscal-year 2025. Rent expense was approximately \$362 and \$408 for fiscal-year 2019 and 2018, respectively. Future minimum commitments under these leases are approximately \$204 for fiscal-year 2020, \$49 for fiscal-year 2021, \$50 for fiscal-year 2022 and \$115 for fiscal-years 2023-2025.

[3] Litigation:

City Ballet is sometimes subject to litigation in the ongoing course of fulfilling its mission. In management's opinion, however, there is no current litigation the outcome of which would likely have a material adverse impact on City Ballet's financial position or activities.

NOTE Q - LINE OF CREDIT

In December 2013, City Ballet entered into an agreement with Bank of America for a line of credit for an amount up to \$12,000. Under the terms of the agreement, interest was charged at a rate equal to the LIBOR daily floating rate, plus 0.75 percentage points, and City Ballet could borrow and repay through January 2, 2019. As collateral, the bank had a security interest in one investment accounts held by Merrill Lynch. During fiscal-year 2019, the loan was paid in full. The outstanding balance of the loan drawn from the line at June 30, 2018 was \$4,000.

NOTE R - CREDIT RISK

Financial instruments that potentially subject City Ballet to concentrations of credit risk consist principally of cash accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes City Ballet does not face a significant risk of loss on these accounts that would arise due to the failure of these institutions.